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SESSION 1934  
HOUSE OF COMMONS

ORDER OF REFERENCE

House of Commons,

Parliament Building, Ottawa, 22 May 1934.

Special Committee

MEMBERS OF THE COMMITTEE

On

Price Spreads and Mass Buying

PROCEEDINGS AND EVIDENCE

Vol. I



HC  
C16  
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HOUSE OF COMMONS  
SESSION 1894

## MEMBERS OF THE COMMITTEE

Hon. H. H. Stevens, *Chairman*

Mr. J. L. Baribeau,  
Mr. Thomas Bell,  
Mr. Oscar L. Boulanger,  
Mr. A. McK. Edwards,  
Mr. Samuel Factor,

Mr. J. L. Ilsley,  
Mr. D. M. Kennedy,  
Mr. W. W. Kennedy,  
Mr. M. C. Senn,  
Mr. E. J. Young.

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*Clerk of the Committee.*

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## ORDER OF REFERENCE

HOUSE OF COMMONS,

FRIDAY, February 13, 1934.

### *Resolution:*

That a Select Special Committee of eleven members of the House be appointed to inquire into and investigate the causes of the large spread between the prices received for commodities by the producer thereof, and the price paid by the consumers therefor; and the system of distribution in Canada of farm and other natural products, as well as manufactured products, and, without restricting the generality of the foregoing, more particularly to inquire into and investigate:—

- (a) the effect of mass buying by department and chain store organizations upon the regular retail trade of the country, as well as upon the business of manufacturers and producers;
- (b) the labour conditions prevailing in industries supplying the requirements of such department and chain store organizations, and the extent, if any, to which existing conditions have been brought about by the purchasing practices of such organizations, and the effect thereof upon the standard of living amongst those employed in such industries and organizations;
- (c) the relation between the flour milling industry and the bakeries of the country, and the effect of such relations upon the baking industry of Canada;
- (d) the methods and system prevailing in the marketing of live stock and animal products for domestic consumption and export, and the extent to which the present system affords or restricts opportunity for fair returns to producers.

That the Committee shall have power to send for persons, papers, and records, and the further power to request the appointment of a Commission or Commissioners under the Inquiries Act, to secure evidence to be presented to the Committee by such Commission or Commissioners.

That the Committee shall report to the House from time to time its findings, together with recommendations of such measures as in the opinion of the Committee may be considered necessary to secure as far as possible, fair and just practices in the distribution and marketing systems of Canada, with fair and just returns to producers, employees, and employers, not inconsistent with the rights of consumers.

*Ordered*,—That Messrs. Stevens, Baribeau, Bell (St. John-Albert), Boulanger, Edwards, Factor, Ilsley, Kennedy (Peace River), Kennedy (Winnipeg South Centre), Senn, and Young, form the Committee appointed on Friday, the 2nd of February, 1934, to inquire into the causes of spread in prices of commodities, the system of distribution of farm, natural and manufactured products, etc.

Attest.

ARTHUR BEAUCHESNE,  
*Clerk of the House.*

---

THURSDAY, February 15, 1934.

*Ordered*,—That the said Committee be empowered to print 1,000 copies in English and 250 copies in French of the evidence and proceedings which may be taken, and of such representations and documents as the Committee may wish to print, and that Standing Order 64 be suspended in relation thereto.

*Ordered*,—That the said Committee be empowered to appoint and employ counsel and auditors to assist in investigating the matters referred to it by the House.

*Ordered*,—That the said Committee be empowered to sit while the House is in session.

Attest.

ARTHUR BEAUCHESNE,  
*Clerk of the House.*

---

## REPORTS TO THE HOUSE

### FIRST REPORT

HOUSE OF COMMONS,

THURSDAY, February 15, 1934.

The Special Committee appointed to inquire into Price Spreads and Mass Buying begs leave to present the following as its

### FIRST REPORT

Your Committee recommends:—

1. That it be empowered to print 1,000 copies in English and 250 copies in French of the evidence and proceedings which may be taken, and of such representations and documents as the Committee may wish to print, and that Standing Order 64 be suspended in relation thereto.

2. That it be empowered to appoint and employ counsel and auditors to assist in investigating the matters referred to it by the House.

3. That it be empowered to sit while the House is in session.

All of which is respectfully submitted.

H. H. STEVENS,  
*Chairman.*



## MINUTES OF PROCEEDINGS

ROOM 231, HOUSE OF COMMONS,

THURSDAY, February 15, 1934.

The Special Committee appointed to enquire into Price Spreads and Mass Buying met at 11 a.m. for organization.

*Members present:* Messrs. Stevens, Baribeau, Bell (*St. John-Albert*), Boulanger, Edwards, Factor, Ilsley, Kennedy (*Peace River*), Kennedy (*Winnipeg South Centre*), Senn, and Young.—11.

On motion of Mr. Kennedy (*Winnipeg South Centre*), seconded by Mr. Senn, Hon. Mr. Stevens was appointed Chairman.

Hon. Mr. Stevens took the Chair and thanked the Committee for the honour conferred upon him.

The Clerk read the Order of Reference.

After making a few observations on the wide scope and importance of the matters referred to the Committee, the Chairman expressed the opinion that counsel should be appointed to assist the Committee, and suggested the name of Norman Somerville, K.C., of Toronto. It was decided, however, to defer appointment of counsel.

On motion of Mr. Kennedy (*Peace River*),

*Resolved*, That the Committee request permission to appoint and employ counsel and auditors to assist in investigating the matters referred to it by the House.

On motion of Mr. Factor,

*Resolved*, That the Committee request permission to print 1,000 copies in English and 250 copies in French of the evidence and proceedings to be taken, and of such representations and documents as the Committee may wish to print, and that Standing Order 64 be suspended in relation thereto.

On motion of Mr. Factor,

*Resolved*, That the Committee request permission to sit while the House is in session.

On motion of Mr. Senn,

*Resolved*, That a sub-committee be appointed, consisting of the Chairman and two members of the Committee, together with counsel, when chosen, to consider the question of procedure and report to the Committee at an early date.

Messrs. Senn and Ilsley were designated by the Chairman to act on said sub-committee.

On motion of Mr. Edwards, the following resolution was adopted unanimously:—

Whereas the Order of Reference to the Committee in paragraph one contemplates an extensive inquiry into the economics of distribution in Canada, and inasmuch as several departments of government are in possession of numerous reports of previous investigations and other public documents and data containing valuable and useful evidence and information, and

Whereas it would be advisable to investigate and correlate such information, and to make it available to this Committee in a concise form;

Therefore be it Resolved: that to achieve this end, the following permanent officials of the Government: Mr. H. H. Coats, Dominion Statistician; Dr. H. M. Tory, President, National Research Council; Mr. F. A. McGregor, Registrar under the Combines Investigation Act, together with Mr. Harry Hereford, be requested to enter upon a study and investigation of the aforementioned documents and data, and to co-operate with each other to that end, and in particular to take into consideration the subject matter referred to in the Order of Reference, reading as follows:—

To inquire into and investigate the causes of the large spread between the prices received for commodities by the producer thereof, and the price paid by the consumers therefor; the system of distribution in Canada of farm and other natural products, as well as manufactured products.

The Chairman having asked the opinion of the Committee regarding the adoption of a short title to designate the Committee, the following was agreed to: "Special Committee on Price Spreads and Mass Buying."

Mr. Heaps, member for Winnipeg North, requested the privilege of taking part in the deliberations of the Committee on behalf of labour interests. He was advised by the Chairman that members of the House were generally accorded the privilege of attending the sittings of committees and of asking questions, and that Mr. Heaps would be welcome and could expect every possible courtesy.

The Committee then adjourned until Tuesday, February 20, at 11 a.m.

R. ARSENAULT,  
*Clerk of the Committee.*

ROOM 268, HOUSE OF COMMONS,  
TUESDAY, February 20, 1934.

The Special Committee on Price Spreads and Mass Buying met at 11 o'clock, the chairman, Hon. Mr. Stevens, presiding.

*Members present:*—Messrs. Stevens, Baribeau, Bell (*Saint John-Albert*), Boulanger, Edwards, Factor, Ilsley, Kennedy (*Peace River*), Kennedy (*Winnipeg South Centre*), Senn, and Young—11.

The minutes of the last meeting were read and approved.

On motion of Mr. Kennedy (*Peace River*),

Resolved,—That Mr. Norman Sommerville, K.C., of Toronto, be appointed counsel to assist the committee in pursuance of leave granted by the house.

The chairman submitted a report from the sub-committee on procedure, suggesting the following initial method of procedure:

1. Invite officials administering Minimum Wage Laws of Ontario and Quebec to appear before the committee and file their respective minimum wages scales.

Write the officials administering minimum wage laws in the other provinces, requesting that they file with the committee their minimum wage scales, and also that they comment, if they wish, on the administration and observance of the minimum wage law in their respective provinces.



2. Representatives of labour organizations to appear before the committee to inform the committee of what they know of labour conditions and possibly "sweat shop" practices.
3. Verification of (2) by commissioner or commissioners.
4. Questionnaire covering the buying practices of departmental stores to be sent to the departmental stores, completed by them, and returned to the committee.

During that time the committee is occupied with (2) and (3), No. 4 will be in process of completion.

5. After counsel is appointed and available for consultation, it is likely that the committee will decide that the work can be expedited by the appointment of commissioners to carry on detailed investigations when, as a result of representations made to the committee, such investigations are deemed desirable.

It was agreed that the questionnaire referred to in paragraph 4 of the above report would be submitted to the committee for approval before being sent out.

With respect to the method by which specific cases would be brought before the committee, the chairman stated that the matter of procedure would rest almost entirely in the hands of Mr. Sommerville, K.C., and that every opportunity would be given members of the committee to bring up matters of special concern.

On motion of Mr. Kennedy (*Winnipeg South Centre*), the report of the sub-committee submitted this day was adopted.

On motion of Mr. Senn,

Ordered,—That the clerk secure for the committee an official copy of the Minutes of Proceedings, Evidence and Report of the Standing Committee of the House of Commons on Agriculture and Colonization, session of 1933, respecting the enquiry on Milk and Milk Products, to be taken under consideration under the terms of paragraph (d) of the Order of Reference, viz:

"the methods and system prevailing in the marketing of live stock and animal products for domestic consumption and export, and the extent to which the present system affords or restricts opportunity for fair returns to producers."

On motion of Mr. Factor,

Resolved,—That the report on an alleged combine in the importation and distribution of British anthracite coal—1933—be laid before the committee.

The chairman indicated that arrangements would be made to have officials administering the Minimum Wage Laws of the provinces of Ontario and Quebec appear before the committee on Tuesday, February 27; also that Dr. R. H. Coats, Dominion Statistician, would be invited to appear on Thursday, February 22, to present an outline of the material and information at present available.

The committee adjourned until 11 o'clock a.m. on Thursday, February 22.

R. ARSENAULT,  
*Clerk of the Committee.*

ROOM 268, HOUSE OF COMMONS,

THURSDAY, February 22, 1934.

The Special Committee on Price Spreads and Mass Buying met at 11 a.m., the Chairman, Hon. Mr. Stevens, presiding.

*Members present:* Messrs. Stevens, Baribeau, Bell (St. John-Albert), Boulanger, Edwards, Factor, Ilsley, Kennedy (Peace River), Kennedy (Winnipeg South Centre), Senn and Young.—11.

Counsel in attendance, Mr. Norman Sommerville, K.C.

The minutes of the last meeting were read and approved.

Pursuant to an order of the Committee dated February 20, the Clerk of the Committee produced and filed:—

Exhibit No. 1.—Copy of Proceedings, Evidence and Report of the Standing Committee of the House of Commons on Agriculture and Colonization, Session 1932-33, respecting Milk and Milk Products.

On motion of Mr. Baribeau,—

*Ordered*,—That authority be given to the Clerk to call any witnesses required by Counsel to the Committee.

Dr. R. H. Coats, Dominion Statistician, submitted a number of suggestions as to the method of organizing subject-matter for the conduct of the inquiry now proceeding, and gave a partial outline of the nature and scope of the materials available in government departments for the use of the Committee.

Dr. Coats filed,—

Exhibit No. 2.—Memorandum entitled: "Procedure of investigation under Government notice of motion dated January 29."

Exhibit No. 3.—Statements showing:—

- (a) Commodity price spreads.
- (b) Index Numbers of Wheat, Flour and Bread, 1926-1933.
- (c) Canadian prices for Wheat and Wheat products 1932-33.
- (d) Index Numbers of Hogs, Pork carcass, Bacon and Lard, 1926-1933.
- (e) Canadian prices of Hogs and Hogs products, 1932-33.
- (f) Index Numbers of Sugar at Vancouver, 1926-1933.
- (g) Vancouver prices of Sugar, 1932-33.

The Witness retired.

On motion of Mr. Factor,—

*Resolved*,—That any public departmental report under the Combines Investigation Act, regarding the investigation of the alleged Tobacco Combine, be filed with the Committee.

On motion of Mr. Boulanger,—

*Ordered*,—That the Clerk secure and file a copy of the Proceedings, Evidence and Report of the Standing Committee of the House of Commons on Banking and Commerce, 1932, respecting the Price of Gasolene.

It was agreed that the sub-committee appointed on February 15 be authorized to meet further, when necessary, and report from time to time.

The Committee adjourned until Tuesday, February 27, at 11 a.m.

R. ARSENAULT,  
*Clerk of the Committee.*



HOUSE OF COMMONS, ROOM 368,

TUESDAY, February 27, 1934.

The Special Committee on Price Spreads and Mass Buying met at 11 o'clock a.m., the Chairman, Hon. Mr. Stevens, presiding.

*Members present:* Messrs. Stevens, Baribeau, Bell (*St. John-Albert*), Boulanger, Edwards, Factor, Ilsley, Kennedy (*Peace River*), Kennedy (*Winnipeg South Centre*), Senn, and Young.

Counsel in attendance, Mr. Norman Sommerville, K.C.

The minutes of the last meeting were read and approved.

The Clerk produced and filed,—

Exhibit No. 4.—Minutes of Proceedings, Evidence, and Report of the Select Standing Committee on Banking and Commerce, 1932, respecting the inquiry on the Price of Gasoline.

Exhibit No. 5.—Memorandum by Dr. R. H. Coats, entitled: "Commodities on Which Data to be Assembled".

Exhibit No. 6.—Reply to questionnaire on Minimum Wage Law, Province of Nova Scotia.

Exhibit No. 7.—Reply to questionnaire on Minimum Wage Law, Province of Manitoba.

On motion of Mr. Edwards,

*Resolved*,—That the Committee request permission to appoint and employ secretarial, clerical, stenographical, and investigational assistance, until the final report of the Committee is submitted to the House.

Mr. Richard Stapells, Chairman of the Ontario, Minimum Wage Board, Toronto, was called, sworn and examined.

Witness retired and the Committee adjourned at 1.00 o'clock until 3.30 this day.

#### AFTERNOON SITTING

The Committee resumed at 3.30.

Mr. Stapells recalled and further examined. He filed,—

Exhibit No. 8.—Orders of the Ontario Minimum Wage Board, Nos. 3, 6, 10 to 39 inclusive, 41 to 50 inclusive, and Amending Orders Nos. 3 and 29.

Exhibit No. 9.—Thirteenth Annual Report of the Ontario Wage Board.

Witness discharged.

Mr. A. W. Laver, Commissioner of Public Welfare, Toronto, was called, sworn and examined.

Witness discharged.

The Committee adjourned until to-morrow at 11 a.m.

R. ARSENAULT,

*Clerk of the Committee.*

HOUSE OF COMMONS, ROOM 271,

WEDNESDAY, February 28, 1934.

The Special Committee appointed to inquire into Price Spreads and Mass Buying met in executive session at 10.30 a.m., the Chairman, Hon. Mr. Stevens, presiding.

*Members present:* Messrs. Stevens, Baribeau, Bell (*St. John-Albert*), Boulanger, Edwards, Factor, Ilsley, Kennedy (*Peace River*), Kennedy (*Winnipeg South Centre*), Senn, and Young.

Counsel in attendance, Mr. Norman Sommerville, K.C.

On motion of Mr. Kennedy (*Winnipeg South Centre*),—

*Resolved*,—That R. A. Barker be appointed as special investigator at Toronto and vicinity, to inquire into the 41 cases submitted to the Committee on February 27th by Mr. Laver, and to verify the facts alleged therein, and to further inquire into the scale of wages paid in chain and department stores and industries and commercial firms supplying the requirements of such organizations, in so far as it applies to the evidence given by Mr. Laver to the effect that workers in such institutions were paid rates of wages so low as to require additional relief from the city. And further, that this investigator be paid at a rate to be fixed by the Chairman.

At 11 a.m. the Committee adjourned to Room 368 where the regular meeting scheduled for this day commenced.

The minutes of the last meeting were adopted.

Mr. Gustave Francq, Chairman of the Women's Minimum Wage Commission for the Province of Quebec, was called, sworn and examined. Witness filed,—

Exhibit No. 10.—Annual Report of the Women's Minimum Wage Commission, Province of Quebec, for the year ending June 30, 1933.

Exhibit No. 11.—An Act to provide for fixing a Minimum Wage for Women, Chapter 100, Revised Statutes of Quebec, 1925.

Exhibit No. 12.—List of firms prosecuted under the Quebec Women's Minimum Wage Act, and penalty imposed.

Exhibit No. 13.—Form indicating "Rates per Hour."

Exhibit No. 14.—Question form for employers.

Exhibit No. 15.—Minimum Wage Board Orders Nos. 3, 7 (amended), and 9a.

Exhibit No. 16.—Statement entitled: "Various Ways of Evading the Minimum Wage Law."

Witness discharged.

The Committee adjourned at 1 until 3.30 this day.



## AFTERNOON SITTING

The Committee resumed at 3.30.

The Chairman read two telegrams received from J. F. Cosgrave, President, Cosgrave Export Brewery Co., Ltd., Toronto, and J. S. McLean of Canada Packers, Toronto.

Mr. H. M. Cassidy, Assistant Professor of Social Science, University of Toronto, was called, sworn, and examined.

Witness filed,—

Exhibit No. 17.—Report on Labour Conditions in the Men's Clothing Industry, by Messrs. F. R. Scott, and H. M. Cassidy.

Exhibit No. 18.—Specimen Pay Envelopes.

Witness discharged.

The Committee adjourned until to-morrow at 11 a.m.

R. ARSENAULT,  
*Clerk of the Committee.*

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## ORDERS OF REFERENCE

TUESDAY, February 27, 1934.

*Ordered*,—That the said Committee be empowered to appoint and employ secretarial, clerical, stenographical and investigational assistance until the final report of the Committee is submitted to the House.

Attest.

ARTHUR BEAUCHESNE,  
*Clerk of the House.*

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HOUSE OF COMMONS, ROOM 368,  
THURSDAY, March 1, 1934.

The Special Committee appointed to inquire into Price Spreads and Mass Buying met at 11 a.m., the Chairman, Hon. Mr. Stevens, presiding.

*Members present*: Messrs. Stevens, Baribeau, Bell (*St. John-Albert*), Boulanger, Edwards, Factor, Ilsley, Kennedy (*Peace River*), Kennedy (*Winnipeg South Centre*), Senn and Young.

Counsel in attendance, Mr. Norman Sommerville, K.C.

The minutes of the last meeting were adopted.

The Clerk filed,—

Exhibit No. 19.—Reply from the Province of Saskatchewan, to questionnaire on Minimum Wage Law.

Mr. Thomas Moore, President, Canadian Trades and Labour Congress, Ottawa, was called, sworn and examined.

Witness filed,—

Exhibit No. 20.—Report to the Honourable the Postmaster General on the methods adopted in Canada in the carrying out of Government Clothing Contracts, 1898, by W. L. Mackenzie King, M.A., LL.B.

Exhibit No. 21.—Report on Wages, Hours and Working Conditions in Automotive Transport Industry, 1933, issued by the Department of Labour of Ontario.

Witness discharged.

The Committee adjourned at 1 p.m., until 4 p.m.

#### AFTERNOON SITTING

The Committee met in Room 495 at 3.30 p.m. *in camera*.

At 4 p.m., the Committee adjourned to Room 368, where to-day's regular meeting continued.

Mr. O. J. Kerr, Mayor of Stratford, Ontario, was called, sworn, and examined.

Witness discharged.

The Committee adjourned until to-morrow at 11 o'clock a.m.

R. ARSENAULT,  
*Clerk of the Committee.*

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ROOM 368, HOUSE OF COMMONS,  
FRIDAY, 2nd March, 1934.

The Special Committee appointed to enquire into Price Spreads and Mass Buying met at 11 a.m., the Chairman, Hon. Mr. Stevens presiding.

*Members present:* Messrs. Stevens, Baribeau, Bell (*St. John-Albert*), Boulanger, Edwards, Factor, Ilsley, Kennedy (*Peace River*), Kennedy (*Winnipeg South Centre*), Senn and Young.

Counsel in attendance, Mr. Norman Sommerville, K.C.

The minutes of the last meeting were adopted.

Mr. J. J. Frawley, K.C., Solicitor to Attorney General of Alberta, was called, sworn and examined.

Witness filed,—

Exhibit No. 22.—The Public Utilities Act, 1923, Amendment Act, 1933.

Exhibit No. 23.—Advertisement, page 5 of the *Calgary Daily Herald*, Friday, January 5, 1934.

Exhibit No. 24.—Explanatory notes respecting Exhibit No. 23.



Exhibit No. 25.—Order No. 6996 (Edmonton Order), by the Board of Public Utility Commissioners for the Province of Alberta.

Exhibit No. 26.—Order No. 6941 (Calgary Order), by the Board of Public Utility Commissioners for the Province of Alberta.

Exhibit No. 27.—Memorandum entitled Regulation of Milk under the Public Utilities Act (Alberta).

Witness discharged.

The Committee adjourned until Wednesday, 7th March, at 11 o'clock, a.m.

R. ARSENAULT,  
*Clerk of the Committee.*

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### ORDERS OF REFERENCE

TUESDAY, March 6, 1934.

*Ordered*,—That the said Committee be empowered to print its day to day proceedings and evidence in the English and French languages, for the use of the Committee and for distribution to the Members of the Senate and House of Commons.

Attest.

ARTHUR BEAUCHESNE,  
*Clerk of the House.*

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HOUSE OF COMMONS, ROOM 368,  
WEDNESDAY, March 7, 1934.

The Special Committee appointed to inquire into Price Spreads and Mass Buying met at 11 o'clock a.m., the Chairman, Hon. Mr. Stevens, presiding.

*Members present*: Messrs. Stevens, Baribeau, Bell (*St. John-Albert*), Boulanger, Factor, Edwards, Ilsley, Kennedy (*Peace River*), Kennedy (*Winnipeg South Centre*), Senn, and Young.

In attendance, Mr. Norman Sommerville, K.C., Counsel to the Committee and Mr. W. W. Parry, K.C., Assistant Counsel.

The minutes of the last meeting were approved.

The Clerk filed,—

Exhibit No. 28.—Reply from the Province of British Columbia, to questionnaire on the Minimum Wage Law.

Exhibit No. 29.—Organization Chart, United States National Recovery Administration.

Exhibit No. 30.—Memorandum by the Bureau of Statistics entitled: "Wholesale Prices of Canadian Farm Products and Other Commodity Groups, 1928-1934."

Exhibit No. 31.—Memorandum by the Bureau of Statistics entitled: "Price Index Numbers and Actual Prices of Live Stock and Live Stock Products, 1926-1933."

Exhibit No. 32.—Copy of tender and contract *re* purchase of caps by the Department of National Defence, as requested by the Committee on March 1st.

Mr. J. S. McLean, President of Canada Packers, Toronto, was called, sworn and examined.

Witness retired and the Committee adjourned at 1 o'clock until 3.30 this day.

### AFTERNOON SITTING

The Committee resumed at 3.30 p.m.

The Chairman submitted a communication signed by the Members for Essex East and Essex West, Messrs. Raymond D. Morand and S. C. Robinson, drawing to the attention of the Committee certain conditions prevalent in the Border Cities with respect to unemployment as well as to the situation offered to a number of wage earners, and recommending that this Committee appoint a Commissioner to investigate these conditions.

The Committee unanimously agreed to inquire into these conditions.

Mr. McLean recalled and further examined.

During the course of his examination, witness was asked to file with the Committee the Financial Statements of his company for the year 1933 and every year since 1927 (showing capitalization), and the list of salaries and accounts.

Witness discharged.

The Committee adjourned at 6.20 until to-morrow, at 11 a.m.

R. ARSENAULT,  
*Clerk of the Committee.*

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ROOM 368, HOUSE OF COMMONS,  
THURSDAY, March 8, 1934.

The Special Committee appointed to enquire into Price Spreads and Mass Buying met at 11 o'clock, a.m., the Chairman, Hon. Mr. Stevens presiding.

*Members present:* Messrs. Stevens, Baribeau, Bell (*St. John-Albert*), Boulanger, Edwards, Factor, Ilsley, Kennedy (*Peace River*), Kennedy (*Winnipeg South Centre*), Senn and Young.

In attendance, Mr. Norman Sommerville, K.C., Counsel to the Committee, and W. W. Parry, K.C., Assistant Counsel.

The minutes of the last meeting were approved.



The Clerk submitted a communication from the Deputy Minister of Labour, in reply to a request of the Committee for information with respect to the supervision exercised by the Department of Labour over Government contracts for supplies. This was filed as part of Exhibit No. 32.

Mr. Warren K. Cook, President of the Canadian Association of Garment Manufacturers, Toronto, was called, sworn and examined.

Witness filed,—

Exhibit No. 33.—Questionnaire sent out by the Canadian Association of Garment Manufacturers to members of the Needle Trades.

Exhibit No. 34.—Advertising sections of *The Toronto Star* (January 31, 1934, and February 14, 1934) and *Toronto Evening Telegram* (January 15, 1934), showing extensive advertising by Department Stores.

Exhibit No. 35.—Series of advertisements by Department Stores (*Toronto Daily Star*, *Regina Leader Post*, *Saskatoon Phoenix*, *Montreal Daily Star*, *Winnipeg Tribune*).

Exhibit No. 36.—Department store advertisement and two sample Ladies' *Selby* shoes.

Exhibit No. 37.—Advertisement *re* "Bond Clothes Shop."

Exhibit No. 38.—Army and Navy Mail Order Catalogue (Regina).

Witness discharged, and the Committee adjourned at 1 o'clock until 3.30. this day.

#### AFTERNOON SESSION

The Committee resumed at 3.30 p.m.

Mr. George S. Hougham, Executive Secretary, Ontario Branch of the Retail Merchants' Association, was called, sworn and examined.

Witness filed,—

Exhibit No. 39.—Original copy of letter addressed by the Executive Secretary of the Ontario Agricultural Council to chain store executive.

Exhibit No. 40.—Advertisement in *Toronto Star*, *re* butter.

Exhibit No. 41.—Copy of contract between a chain store executive and the manager of a branch store.

Exhibit No. 42.—Series of newspaper advertisements *re* "Loss Leaders".

Exhibit No. 43.—Specimen sales check showing, on reverse side, cash price guarantee.

Exhibit No. 44.—Official copy of brief submitted by Mr. Hougham.

Witness discharged.

After a short discussion on procedure, the Committee adjourned at 6 o'clock until to-morrow at 11 a.m.

R. ARSENAULT,  
*Clerk of the Committee.*

HOUSE OF COMMONS, ROOM 368,

FRIDAY, March 9, 1934.

The Special Committee appointed to inquire into Price Spreads and Mass Buying met at 11 o'clock, a.m., the Chairman, Hon. Mr. Stevens presiding.

Members present.—Messers. Stevens, Baribeau, Bell (St. John-Albert), Boulanger, Edwards, Factor, Ilsley, Kennedy (Peace River), Kennedy (Winnipeg South Centre), Senn and Young.

In attendance, Mr. Sommerville, K.C., Counsel to the Committee, and Mr. W. W. Parry, K.C., Assistant Counsel.

The Minutes of the last meeting were approved.

The Clerk filed,—

Exhibit No. 45.—Reply from the Province of Alberta to questionnaire on Minimum Wage Law.

Mr. George S. Houghan recalled. He filed,—

Exhibit No. 46.—Constitution of the Canadian Chain Store Association, with accompanying letter.

Witness discharged.

Mr. A. E. Grassby, Winnipeg, representing the Individual Retailers of Manitoba, was called, sworn and examined.

Witness filed,—

Exhibit No. 46A.—Letters addressed to the Retail Merchants Association, Winnipeg, by Radio Manufacturers.

Witness discharged.

Mr. C. C. Falconer, merchant, Winnipeg, was called, sworn and examined.

Witness retired, and the Committee adjourned at 1 o'clock until 3.30 p.m. this day.

#### AFTERNOON SITTING

The Committee resumed at 3.30 p.m.

Mr. C. C. Falconer recalled and further examined.

Witness filed,—

Exhibit No. 47.—Letter from the Manitoba Chapter, Association of Electragists International, to Retail Merchants of Canada, Winnipeg.

Exhibit No. 48.—Advertisement of sale for March 1, 1934, by two Winnipeg stores.

Exhibit No. 49.—Telegram addressed to Mr. Falconer from Winnipeg, *re* glass ware.

Witness discharged.



Mr. W. L. McQuarrie, Secretary of the Saskatchewan Division, Retail Merchants' Association of Canada, was called, sworn and examined.

Witness filed,—

Exhibit No. 50.—Telegram from J. W. Harris, Saskatoon, to W. L. McQuarrie.

Exhibit No. 51.—Copy of Resolution passed by Independent Retail Merchants of Yorkton, Sask., *re* Chain and Department stores advertising and accompanying file of letters from merchants.

Exhibit No. 52.—Series of advertisements, invoices, affidavits and price comparisons, described as follows:—

- (A)—Groceries, fruits and provisions.
- (B)—Dry goods, clothing, men's and women's wear.
- (C)—Boots and shoes, rubber footwear.
- (D)—Meats.
- (E)—Drug trade and jewellers.
- (F)—Pianos, radios, etc.
- (G)—Furniture.
- (H)—Automobile accessories, etc.
- (I)—Hardware, lumber, fuel and implements.
- (J)—Affidavit *re* misrepresentation in advertising bankrupt sales.
- (K)—Letter *re* misrepresentation in advertising travellers' samples.

Exhibit No. 53.—Copy of resolution passed by retailers at Lloydminster, Sask.

Witness discharged.

Mr. Sommerville, K.C., counsel to the committee, read a report from a committee of the Charlottetown Board of Trade, on mass buying merchandise practice and its effect upon individual retailers and community life and consumers in Prince Edward Island.

The above with accompanying report of a sub-committee of wholesale grocers, filed as Exhibit No. 54.

The committee adjourned at 1 o'clock until Wednesday, March 14, at 11 a.m.

R. ARSENAULT,  
*Clerk of the Committee.*

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ROOM 368, HOUSE OF COMMONS,  
WEDNESDAY, March 14, 1934.

The Special Committee appointed to enquire into Price Spreads and Mass Buying met at 11 o'clock a.m., the Chairman, Hon. Mr. Stevens presiding.

*Members present:* Messrs. Stevens, Baribeau, Bell (*St. John-Albert*), Boulanger, Edwards, Factor, Ilsley, Kennedy (*Peace River*), Kennedy (*Win-nipeg South Centre*), Senn and Young.

In attendance, Mr. Sommerville, K.C., Counsel to the Committee, and Mr. W. W. Parry, K.C., Assistant Counsel.

The minutes of the last meeting were approved.

The Chairman drew the attention of the Committee to a letter received from Mr. Thomas Moore of Ottawa, who appeared before the Committee as a witness on the 1st of March, stating that he had not been reported accurately on that occasion and requesting that certain corrections be included in the printed records.

On motion of Mr. Kennedy (Peace River),—

*Ordered*,—That the evidence given by Mr. Thomas Moore before this Committee on March 1st, be amended in accordance with the corrections and changes indicated in Mr. Moore's letter dated March 9, addressed to the Chairman, and filed with the Clerk of the Committee, viz:—

*Page 142*, end of tenth line, take out words "and not from" and insert "for," making the sentence read:—

What statement I have to present to you is being directed more to suggestions and general comment as to where the existing laws or new legislation might be helpful for eliminating or curtailing some of the abuses which have been made so clear by the evidence you have already heard.

*Page 143*, answering question by Mr. Kennedy, the word "questionnaire" should be "question" and the word "trial" should be "compromise" which, with other slight changes, would make the sentence read:—

As was said here in regard to union agreements, in answer to a question, they are often only a compromise and therefore not entirely satisfactory either to the employer or worker.

Seven lines further, on the same page, answering a question by Mr. Factor, the word "boards" should be "Trades" making the reference read "Trades and Labour Councils", and in a subsequent sentence, four lines further, the word "the" should be "a", reading:—

Some general observations with respect to a number of these.

*Page 144*, answering question by Mr. Ilsley, second line of paragraph, change word "exert" to "insert", making the answer read:—

It does, but there is no compulsion to insert it.

*Page 145*, answering Mr. Sommerville's second question, near top of page, insert the word "not", the answer then reading:—

Not unless complaints are registered by worker.

In the next paragraph, answering Mr. Kennedy, the word "policy" should be "compulsion", the statement being:—

There is no compulsion and cases have arisen where tenders have been called for without the fair wage clause conditions being inserted.

*Page 146*, following the question by the Chairman, "And that parliament ought to take into consideration that fact?", the answer to read as follows:—

Yes. I do not want to be understood as criticizing any government. The present practice has been a common one over a number of years.

On the same page, answering Mr. Kennedy, the word "seven" should be "several", and the words "we have about five" entirely eliminated, the answer to read:—

Quite a number over the past several years.

*Page 147*, in answer to Mr. Factor, delete all the words of that paragraph, following "the Minister of Labour is empowered to fix a fair wage."

*Page 148*, in answer to Mr. Kennedy's second question, the word "plants" should be "complaints", the answer then reading:—

They have a limited number of inspectors who to-day confine themselves very largely to investigating complaints and not to initiating investigations.

*Page 149*, answering Mr. Sommerville's question: "Those conditions were unsanitary?", the word "sores" to be substituted for "soils".

*Page 150*, answering Mr. Ilsley, the reference to "the Lieutenant Governor" should be "Governor in Council".

*Page 151*: The first question put by the Chairman was: "I was going to ask you this, Mr. Moore, make a transition of yourself from representing labour as a producer to your knowledge as a consumer."

*Page 152*, answering question by Mr. Sommerville, ninth line, the word "shut" should read "out", the answer to read:—

Would close out our principle of collective bargaining.

In the last sentence, same paragraph, insert the words "to refuse" and omit the words "members of his association where now it is a deterrent", making this sentence read:—

That right should be given to the worker in order that he could apply equal force and still maintain the right to refuse to work with non-union men, because he can only follow out his part of the agreement by having control of the discipline of the industry.

Near the bottom of the same page, the second answer to Mr. Young to read as follows:—

An organization that has an agreement with an employer should be placed in a position to have the necessary discipline to carry out its terms by having all those belong to the organization which is a party to the agreement.

*Page 152*, four lines from bottom, delete question: "Another organization?" and answer thereto.

*Page 154*, third and fourth line, the words "under the amendment framed in 1930" to be deleted and the following substituted therefor: "in the commission established in 1920", the answer to read:—

As a matter of fact, in the commission established in 1920, between the Provinces and the Dominion for the uniformity of labour laws this matter was discussed.

*Page 164*, in answer to Mr. Kennedy, the word "absolute" should be "obsolete", the answer reading:—

It is nearly obsolete to-day.

Mr. Alexander C. MacKay, representing the Retail Merchants' Association of Alberta was called, sworn and examined.

Witness filed,—

Exhibit No. 55.—Two jars of Armand Cold Cream identified as follows: 1 opal jar marked on label 50 cents, and one glass jar marked on label 25 cents, with accompanying letter.



Exhibit No. 56.—Copy of bulletin *re* rubber footwear issued by the Dominion Rubber Association.

Exhibit No. 57.—Series of advertisements with attached data on cut prices.

Exhibit No. 58.—Data *re* cut prices on bread in Alberta as affecting country bakers.

Witness discharged.

The Committee adjourned at 1 o'clock until Thursday, March 15, at 11 a.m.

R. ARSENAULT,  
*Clerk of the Committee.*

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HOUSE OF COMMONS, ROOM 368,  
THURSDAY, March 15, 1934.

The Special Committee appointed to enquire into Price Spreads and Mass Buying met at 11 o'clock a.m., the Chairman, Hon. Mr. Stevens presiding.

*Members present:* Messrs. Stevens, Baribeau, Bell (St. John-Albert), Boulanger, Edwards, Factor, Ilsley, Kennedy (*Peace River*), Kennedy (*Winnipeg South Centre*), Senn and Young.

In attendance, Mr. Norman Sommerville, K.C., Counsel to the Committee and Mr. W. W. Parry, K.C., Assistant Counsel.

The minutes of the last meeting were approved.

Mr. J. Cuthbertson Doyle, Secretary, Nova Scotia Provincial Board, Retail Merchants Association, was called, sworn and examined.

Witness filed,—

Exhibit No. 59.—Series of replies, numbering 64, received from merchants of the retail trade in Nova Scotia, to a questionnaire sent out by the Nova Scotia Branch of the Retail Merchants Association.

Exhibit No. 60.—Series of advertisements with invoices, comparisons between wholesale and retail prices and other data indicating the effect of such advertisements as Loss Leaders.

Witness discharged.

At this stage, Mr. Sommerville read a brief submitted by the Board of Trade, Summerside, P.E.I., dealing with the competition merchants have to meet from the Mail Order business.

The above brief filed as Exhibit No. 61.

Mr. George R. Matthews, Vancouver, representing the British Columbia Division of the Retail Merchants Association, was called, sworn and examined.

Witness retired, and the Committee adjourned at 1 o'clock until 3.30 this day.

#### AFTERNOON SITTING

The Committee resumed at 3.30.

*Members present:* Messrs. Stevens, Baribeau, Bell (*St. John-Albert*), Boulanger, Factor, Ilsley, Kennedy (*Peace River*), Kennedy (*Winnipeg South Centre*), Senn and Young.

Counsel and Assistant Counsel in attendance.

Mr. G. R. Matthews recalled and further examined.

Witness filed,—

Exhibit No. 62.—Series of advertisements, letters, comparisons between wholesale and retail prices and other data, all identified in witness' evidence, by numbers, from 1 to 26 inclusive.

Exhibit No. 63.—Suggestions for the elimination of unethical business practices, as approved by grocers and meat dealers in Vancouver.

Witness discharged.

The Committee adjourned at 4.30 until Tuesday, March 20, at 11 a.m.

R. ARSENAULT,  
*Clerk of the Committee.*

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ROOM 368, HOUSE OF COMMONS,

TUESDAY, March 20, 1934.

The Special Committee on Price Spreads and Mass Buying met at 11 o'clock a.m., the Chairman, Hon. Mr. Stevens presiding.

*Members present:* Messrs. Stevens, Baribeau, Bell (*St. John-Albert*), Boulanger, Edwards, Factor, Ilsley, Kennedy (*Peace River*), Kennedy (*Winnipeg South Centre*), and Young.

In attendance, Mr. Norman Sommerville, K.C., Counsel to the Committee, and Mr. W. W. Parry, K.C., Assistant Counsel.

The minutes of the last meeting were approved, as well as the minutes of the Executive sessions of the Committee held on March 1st and March 15th.

The Clerk filed,—

Exhibit No. 40 A.—Advertisement appearing in the *Toronto Evening Telegram* and *Toronto Evening Star*, November 30, 1933, re sale of Turkeys, as referred to in Mr. G. S. Hougham's evidence, page 333 of the printed record.

Mr. J. M. McCallum, Chief of the Market Service, Live Stock Branch, Department of Agriculture, Ottawa, was called, sworn and examined.

At 1 o'clock, witness retired and the Committee adjourned until 3.30 this day.

#### AFTERNOON SITTING

The Committee resumed at 3.30 p.m.

*Members present:* Messrs. Stevens, Baribeau, Bell (*St. John-Albert*), Boulanger, Edwards, Factor, Ilsley, Kennedy (*Peace River*), Kennedy (*Winnipeg South Centre*), Senn and Young.

Counsel and assistant Counsel in attendance.

Mr. McCallum recalled and further examined.

Witness filed,—

Exhibit No. 64.—Rules, Regulations and By-Laws of the Toronto Live Stock Exchange and copy of "An Act respecting Live Stock," Chap. 120, 1923.

Counsel filed,—

Exhibit No. 65.—Resolutions from farmers' organizations in the Province of Ontario, relative to the grading and supervision of Canadian bacon shipped to the British market, and to the shipping and marketing of live stock.

Witness discharged.

The Committee adjourned until to-morrow, at eleven a.m.

A. ARSENAULT,  
*Clerk of the Committee.*

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ROOM 368, HOUSE OF COMMONS,

WEDNESDAY, March 21, 1934.

The Special Committee appointed to enquire into Price Spreads and Mass Buying met at 11 o'clock a.m., the Chairman, Hon. Mr. Stevens presiding.

*Members present:* Messrs. Stevens, Baribeau, Bell (*St. John-Albert*), Edwards, Factor, Ilsley, Kennedy (*Peace River*), Kennedy (*Winnipeg South Centre*), Senn and Young.

In attendance, Mr. Norman Sommerville, K.C., Counsel to the Committee and Mr. W. W. Parry, K.C., Assistant Counsel.

The minutes of the last meeting were approved.

Mr. A. E. Jamieson, M.L.A., Chairman of the Committee on Agriculture and Colonization in the Ontario Legislative Assembly, was called, sworn and examined.

Witness filed,—

Exhibit No. 66.—Summarized report of proceedings of the Committee on Agriculture and Colonization of the Ontario Legislative Assembly with file of letters attached thereto.

Witness discharged.

Mr. Howard Fraleigh, M.L.A., member of the above mentioned Committee, was called, sworn and examined.

Witness discharged.

Mr. J. A. Craig, M.L.A., also a member of the above mentioned Committee, was called, sworn and examined.

Witness discharged.

The Committee adjourned at 12.50 until 3.30 this day.



## AFTERNOON SITTING

The Committee resumed at 3.30 p.m.

*Members present:* Messrs. Stevens, Baribeau, Bell (*St. John-Albert*), Boulanger, Edwards, Factor, Ilsley, Kennedy (*Peace River*), Kennedy (*Winnipeg South Centre*), Senn and Young.

Counsel and assistant Counsel in attendance.

The Clerk filed,—

Exhibit No. 67.—Copy of Report No. 7, by the Department of Agriculture on the origin and quality of commercial live stock marketed in Canada in 1926, and copy of the thirteenth annual market review, 1932, published by the Department of Agriculture.

Mr. Roderick MacLeay, rancher, High River, Alberta, was called, sworn and examined.

Witness discharged.

Mr. G. H. Barr, K.C., Regina, Sask., representing the Saskatchewan Co-operative Live Stock Producers Limited, was called, sworn and examined.

Witness filed,—

Exhibit No. 68.—Supplement to brief by the Saskatchewan Co-operative Live Stock Producers, comprising (a) Special Act of incorporation and by-laws; (b) Form of producers' agreement; (c) Standard by-laws for local ship-ping Association.

Exhibit No. 69.—Draft of a constitution for suggested Canadian organization similar to the Agricultural Council of Denmark.

Exhibit No. 70.—Memorandum entitled "Danish Agriculture" containing general statistical information and the constitution of the Agriculture Council of Denmark.

Witness discharged.

The Committee adjourned at 5.30 until to-morrow at 11 o'clock a.m.

R. ARSENAULT,  
*Clerk of the Committee.*

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ROOM 368, HOUSE OF COMMONS,

THURSDAY, March 22, 1934.

The Special Committee appointed to enquire into Price Spreads and Mass Buying met at 11 o'clock, a.m., the Chairman, Hon. Mr. Stevens presiding.

*Members present:* Messrs. Stevens, Baribeau, Bell (*St. John-Albert*), Boulanger, Edwards, Factor, Ilsley, Kennedy (*Peace River*), Kennedy (*Winnipeg South Centre*), Senn and Young.

Counsel in attendance, Mr. W. W. Parry, K.C.

The minutes of the last meeting were approved.

Mr. R. H. M. Bailey, President of the Alberta Milk and Cream Producers Association, Edmonton, Alta., was called, sworn and examined.

Witness discharged.

Mr. C. W. Hambly, M.L.A., Napanee, Ont., was called, sworn and examined.

Witness discharged.

The Committee adjourned at 1.05 p.m. until 3.30 this day.

### AFTERNOON SITTING

The Committee resumed at 3.30 p.m.

Mr. I. Ingaldson, Manager Canadian Livestock Co-operative (Western) Limited, and Secretary-Treasurer Manitoba Co-operative Livestock Producers Limited, was called, sworn and examined.

Witness filed,—

Exhibit No. 71.—Brief submitted by Canadian Livestock Co-operative (Western) Limited, and Manitoba Co-operative Livestock Producers, Limited.

At 6 o'clock, witness retired and the Committee adjourned until to-morrow, at 11 a.m.

R. ARSENAULT,  
*Clerk of the Committee.*

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HOUSE OF COMMONS, ROOM 368,  
FRIDAY, March 23, 1934.

The Special Committee appointed to enquire into Price Spreads and Mass Buying met at 11 o'clock a.m., the Chairman, Hon. Mr. Stevens, presiding.

*Members present:*—Messrs. Stevens, Baribeau, Bell (*Saint John-Albert*), Boulanger, Edwards, Factor, Ilsley, Kennedy (*Peace River*), Kennedy (*Winnipeg South Centre*), Senn and Young.

Counsel in attendance, Mr. W. W. Parry, K.C.

The minutes of the last meeting were approved.

The chairman read a communication from the Honourable W. A. Gordon, Minister of Labour, in reply to the request that the reports on alleged tobacco and radio combines be filed with the committee. This was referred to counsel for his attention.

Mr. I. Ingaldson recalled and further examined.

Witness filed,—

Exhibit No. 72.—Questionnaire sent to livestock producers and replies thereto with summarized analysis of these replies.

Mr. P. E. Roblin, president of the Saskatchewan Co-operative Livestock Producers Limited, was called, sworn and examined.

Witness filed,—

Exhibit No. 73.—Brief submitted by the Saskatchewan Co-operative Livestock Producers Limited.

At 1 o'clock, witness discharged, and the committee adjourned until 3.30 this day.

#### AFTERNOON SITTING

The committee resumed at 3.30 p.m.

Mr. Jack Byers, manager of the Western Stock Growers' Association, Calgary, was called, sworn and examined.

Witness discharged.

At this stage, Mr. A. E. Fortington of the Markets Intelligence Branch, Department of Trade and Commerce, filed,—

Exhibit No. 74.—Statement showing livestock receipts at public markets and private sidings for the years 1927 to 1932 inclusive.

Mr. P. E. Roblin also filed with counsel a short statement supplementary to his evidence submitted this day.

The committee adjourned at 5.35 until Tuesday, March 27, at 11 a.m.

R. ARSENAULT,

*Clerk of the Committee.*

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HOUSE OF COMMONS, ROOM 368,

TUESDAY, March 27, 1934.

The Special Committee appointed to inquire into Price Spreads and Mass Buying met at 11 o'clock a.m., the Chairman, Hon. Mr. Stevens, presiding.

*Members present:* Messrs. Stevens, Baribeau, Boulanger, Edwards, Factor, Ilsley, Kennedy (*Peace River*), Kennedy (*Winnipeg South Centre*), Senn, and Young.

In attendance, Mr. Norman Sommerville, K.C., Counsel to the Committee, and W. W. Parry, K.C., Assistant Counsel.

The minutes of the last meeting were approved.

The Clerk submitted communications received from The Lonsdale Bakery, North Vancouver, B.C.; The Acker Furniture Company, Ltd., Guelph, Ontario; J. M. Miller, City Clerk, Calgary, Alberta, and Aimé Guertin, M.L.A., Quebec. These were referred to Counsel.

The Clerk filed,—

Exhibit No. 75.—Memorandum by the Bureau of Statistics entitled: Gross sectional comparison of commodity price index numbers and actual prices, with reference to cotton, cotton products, wool and wool products.



Mr. Rosario Messier, Secretary of the Quebec Division, Retail Merchants' Association, Montreal, and Mr. J. H. Tétrault, Drummondville, Que., were called together, sworn and examined.

Mr. Messier filed,—

Exhibit No. 76.—Circular advertising sale of boots and shoes with attached explanatory notes.

Exhibit No. 77.—Advertisement *re* sale of winter coats (*Montreal Daily Star*, October 20, 1933).

Exhibit No. 78.—Advertisement *re* sale of overcoats (*Montreal Daily Star*, November 3, 1933).

Exhibit No. 79.—Copy of bill to amend the Dairy Products Act (Province of Quebec), Chap. 63, R.S., 1925.

Exhibit No. 80.—Letter addressed by the Florists' Delivery Association Inc., Montreal, to the Retail Merchants' Association.

Exhibit No. 81.—One 10 ounce package of "Sunshine Vermicelli," with invoice attached thereto.

Exhibit No. 82.—One 16 ounce package of "Sunshine Vermicelli," with invoice attached thereto.

Exhibit No. 83.—Series of 11 advertisements together with wholesale prices obtained from three wholesale grocery firms.

Exhibit No. 84.—List of prosecutions against chain stores in Montreal, from December 7 to December 23, 1933.

Exhibit No. 85.—Statement showing special taxes imposed on chain stores by the City of Montreal in March, 1933.

Witnesses discharged.

The Committee adjourned at 1 o'clock until to-morrow at 11 a.m.

R. ARSENAULT,

*Clerk of the Committee.*

HOUSE OF COMMONS, ROOM 368,

WEDNESDAY, March 28, 1934.

The Special Committee appointed to inquire into Price Spreads and Mass Buying met at 11 a.m., the Chairman, Hon. Mr. Stevens, presiding.

*Members present:* Messrs. Stevens, Baribeau, Bell (*St. John-Albert*), Boulanger, Edwards, Factor, Ilsley, Kennedy (*Peace River*), Kennedy (*Winnipeg South Centre*), Senn, and Young.

Counsel in attendance, Mr. Norman Sommerville, K.C.

The minutes of the last meeting were approved.

On motion of Mr. Kennedy (*Winnipeg South Centre*),—

*Resolved*,—That Mr. A. C. Boyce, K.C., of Ottawa, be appointed special investigator to inquire into and investigate the matters that are the subject of the reference to this Parliamentary Committee on Price Spreads and Mass Buying, in so far as the same relate to the effect on labour of large quantity buying of parts by manufacturers, and other pertinent matters in the Border Cities, and to report to this Committee from time to time.

On motion of Mr. Kennedy (*Winnipeg South Centre*),—

*Resolved*,—That Miss Evelyn L. Maynard, Ottawa, be appointed clerk and stenographer to assist this Committee, in accordance with the authority granted the Committee in its second report to the House.

Messrs. T. J. Ryan and M. G. Donovan, respectively, President and member of the Montreal Livestock Exchange, were called together, sworn and examined.

Witnesses discharged.

The Committee adjourned at 1 o'clock, to meet again after the Easter recess, at the call of the Chair.

R. ARSENAULT,

*Clerk of the Committee.*

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HOUSE OF COMMONS, ROOM 368,

TUESDAY, April 10, 1934.

The Special Committee appointed to enquire into Price Spreads and Mass Buying, met at 11 a.m., the Chairman, Hon. Mr. Stevens, presiding.

*Members present*: Messrs. Stevens, Baribeau, Bell (*St. John-Albert*), Boulanger, Factor, Kennedy (*Peace River*) and Young.

In attendance, Mr. Norman Sommerville, K.C., Counsel to the Committee and Mr. W. W. Parry, K.C., assistant Counsel.

The minutes of the last meeting were approved.

The Clerk laid before the Committee communications received from Canada Packers Limited, Toronto, with attached list of pay-rolls; from Stock Yards Companies at Toronto, Montreal, Calgary, Moose Jaw, St. Boniface, Saskatoon, and Prince Albert, in reply to the Clerk's letter of the 22nd March; and from Messrs. A. W. Neil, M.P., and C. R. McIntosh, M.P. These communications were referred to Counsel.

The Clerk also produced a statement prepared by Mr. J. M. McCallum, Chief of the Market Services, Live Stock Branch, showing the volume of livestock shipped to stockyards and to packers in 1933. The Clerk was instructed to have this statement printed as an appendix to to-day's proceedings.

On motion of Mr. Kennedy (*Peace River*),—

*Resolved*,—That Major C. H. Douglas be called before the Committee on Price Spreads and Mass Buying on or about Thursday, April 19, or when convenient.

On motion of Mr. Baribeau,—

*Resolved*,—That Miss W. Hutchison, of Toronto, be appointed as special investigator to inquire into and investigate all matters that are the subject of the reference to this parliamentary committee on Price Spreads and Mass Buying, in so far as the same relate to wages paid in certain industries in Toronto, and to report to this Committee from time to time, Miss Hutchison's appointment to date from April 1, 1934.

Mr. H. P. Kennedy, President of the Edmonton Stock Yards Limited, and the Union Stock Yards of Saskatoon, Toronto, was called, sworn and examined.

At 12.45 p.m., witness retired and the Committee adjourned until 3.30 this day.

### AFTERNOON SITTING

The Committee resumed at 3.30 p.m.

*Members present:* Messrs. Stevens, Baribeau, Bell (*St. John-Albert*), Boulanger, Factor, Ilsley, Kennedy (*Peace River*) and Young.

Counsel and assistant Counsel in attendance.

Mr. Kennedy recalled and further examined.

The Chairman read a communication received from Swift Canadian Company Limited, Toronto, with attached copy of their letter to Mr. Geo. Day, Creemore, Ont., covering additional one-quarter cent per pound on steers purchased on December 20, 1933.

Witness filed,—

Exhibit No. 86.—H. P. Kennedy Commission Co. sales sheet for two carloads of cattle, cows and calves shipped by train, showing commission of \$34.

Exhibit No. 87.—H. P. Kennedy Commission Co. sales sheet for one carload of cattle, cows, calves and sheep, shipped by train, showing commission of \$17.

Exhibit No. 88.—H. P. Kennedy Commission Co. sales sheet for twenty-five calves shipped by truck, showing commission of \$6.25, and requiring 15 separate statements.

Exhibit No. 89.—H. P. Kennedy Commission Co. sales sheet for seventeen calves and two cattle shipped by truck, showing commission of \$6.25 and requiring 12 cheques and statements.

Exhibit No. 90.—Copy of Bill (S. 2133, January 10, 1934) before the United States Senate, to amend the Packers and Stock Yards Act, 1921.

Exhibit No. 91.—Copy of Bill (S. 2621, February 5, 1934) before the United States Senate, to amend the Packers and Stock Yards Act, 1921.

Exhibit No. 92.—Copy of Bill (S. 3064, March 15, 1934) before the United States Senate, to amend the Packers and Stock Yards Act, 1921.

Exhibit No. 93.—Newspaper clipping reporting evidence given before the United States Senate Committee on Agriculture by D. M. Hildebrand, on the marketing of hogs.

Exhibit No. 94.—Comparative statement of market prices for livestock, October, 1933.

Witness retired.

The Committee adjourned at 6 o'clock until to-morrow at 11 a.m.

R. ARSENAULT,  
*Clerk of the Committee.*



HOUSE OF COMMONS, ROOM 368,

WEDNESDAY, April 11, 1934.

The Special Committee appointed to inquire into Price Spreads and Mass Buying met at 11 a.m., the Chairman, Hon. Mr. Stevens, presiding.

*Members present:* Messrs. Stevens, Baribeau, Bell (*St. John-Albert*), Boulanger, Factor, Ilsley, Kennedy (*Peace River*), Young.

In attendance, Mr. Norman Sommerville, K.C., Counsel to the Committee, and Mr. W. W. Parry, K.C., Assistant Counsel.

The minutes of the last meeting were approved.

Messrs. Ilsley and Factor having inquired as to the procedure to be followed with regard to the calling of further witnesses to give evidence on the question of livestock, the Chairman gave an outline of the work now being carried out by investigators and accountants, and stated that every opportunity would be given to packers and producers to present their views before the Committee.

With reference to the inquiry into other subject matters of the Reference, it was suggested and agreed that an executive session of the Committee be held to discuss the procedure to be followed. It was also stated that the sub-committee of officials appointed to gather data for the Committee was making considerable progress and would be able to submit a report in the near future.

Mr. H. P. Kennedy was recalled and further examined. He filed,—

Exhibit No. 95.—Statements showing receipts of Live Stock at Canadian markets for the years 1924 to 1933, inclusive, compiled by the Union Stock Yards of Toronto, Ltd.

Witness discharged.

Mr. Gordon Oswin, salesman for the United Farmers Live Stock Department, Toronto, was called, sworn and examined.

Witness discharged.

Mr. O. Freer, representing the United Stockmen Limited, Winnipeg, was called, sworn and examined.

Witness discharged.

The Committee adjourned at 1 o'clock until to-morrow, at 11 a.m.

R. ARSENAULT,

*Clerk of the Committee.*

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Room 368, House of Commons,

Thursday, April 12, 1934.

The Special Committee appointed to enquire into Price Spreads and Mass Buying met at 11 a.m., the Chairman, Hon. Mr. Stevens presiding.

*Members present:* Messrs. Stevens, Baribeau, Boulanger, Bell (*St. John-Albert*), Edwards, Factor, Ilsley, Kennedy (*Peace River*), Kennedy (*Winnipeg South Centre*), and Young.

In attendance, Mr. Norman Sommerville, K.C., Counsel to the Committee, and W. W. Parry, K.C., Assistant Counsel.

The minutes of the last meeting were approved.

The Chairman read a communication received from J. G. Robertson, Secretary of the Saskatchewan Live Stock Board, incorporating a Resolution passed by that Board.

The Chairman also submitted a letter from the Winnipeg Live Stock Exchange, together with a brief which was read into the record by Counsel.

Mr. A. B. Quinn, a member of the Toronto Live Stock Exchange, was called, sworn and examined.

At 1 o'clock, witness retired, and the Committee adjourned until 3.30 this day.

### AFTERNOON SITTING

The Committee resumed at 3.30 p.m.

Mr. Quinn recalled and further examined.

Witness discharged.

Mr. T. Ross Chapman, a member of the Toronto Live Stock Exchange was called, sworn and examined.

Witness filed,—

Exhibit No. 96.—Specimen copies of Dunn and Levack sales sheets.

Exhibit No. 97.—Specimen copies of Dunn and Levack sales sheets with weigher's tickets attached thereto.

Exhibit No. 98.—Dunn & Levack sales sheet with attached letter and trucker's statement of account.

Witness discharged.

Mr. Harry Talbot, a member of the Toronto Live Stock exchange was called, sworn and examined.

Witness filed,—

Exhibit No. 99.—Copies of report of the Toronto Live Stock Commission Brokers for the years 1932 and 1933.

Witness discharged.

The Committee adjourned at 5.35 to meet again in executive session at 3.30 p.m., on Monday, April 16.

R. ARSENAULT,

*Clerk of the Committee.*

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HOUSE OF COMMONS, ROOM 368,

TUESDAY, April 17, 1934.

The Special Committee appointed to inquire into Price Spreads and Mass Buying, met at 11 a.m., the Chairman, Hon. Mr. Stevens, presiding.

*Members present:* Messrs. Stevens, Baribeau, Bell (*St. John-Albert*), Boulanger, Edwards, Factor, Ilsley, Kennedy (*Peace River*), Kennedy (*Winnipeg South Centre*), Senn, and Young.

In attendance, Mr. Norman Sommerville, K.C., Counsel to the Committee, and Mr. W. W. Parry, K.C., Assistant Counsel.

The minutes of the last meeting were approved.

The Clerk filed,—

Exhibit No. 100.—Two copies of the report of the Registrar under the Combines Investigation Act, on an alleged combine of tobacco manufacturers and other buyers of raw leaf tobacco in the Province of Ontario, 1933.

The Clerk also laid before the Committee communications received from the North Battleford Stock Yards Co., Ltd., and Mr. T. Reid, M.P. These were referred to Counsel.

Counsel read a communication received from the Hon. L. Macaulay, Minister of Highways for the Province of Ontario, with reference to evidence submitted by Mr. Ross Chapman on April 12. This was filed as,—

Exhibit No. 101.—Memorandum to the Hon. Mr. Macaulay from J. P. Bickell, Registrar of Motor Vehicles, with attached copy of letter addressed to various packing houses; copy of the Public Commercial Vehicle Act, R.S.O. 1927, Chapter 253 as amended by 1930, Chapter 49; and copy of Regulations respecting the licensing of public commercial vehicles.

The Honourable Donald Gordon McKenzie, Minister of Agriculture, for the Province of Manitoba, was called, sworn, and examined.

At 12.45 p.m., witness retired and the Committee adjourned until to-morrow, at 11 a.m.

R. ARSENAULT,

*Clerk of the Committee.*

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HOUSE OF COMMONS, ROOM 368,

WEDNESDAY, April 18, 1934.

The Special Committee appointed to inquire into Price Spreads and Mass Buying met at 11 a.m., the Chairman, Hon. Mr. Stevens, presiding.

*Members present:* Messrs. Stevens, Baribeau, Bell (*St. John-Albert*), Boulanger, Edwards, Factor, Ilsley, Kennedy (*Peace River*), Kennedy (*Winnipeg South Centre*), Senn, and Young.

In attendance, Mr. Norman Sommerville, K.C., Counsel to the Committee, and Mr. W. W. Parry, K.C., Assistant Counsel.

The minutes of the last meeting were approved.

The Chairman informed the Committee that Major C. H. Douglas was being recalled before the Select Standing Committee on Banking and Commerce on Thursday, April 19. It was unanimously agreed that Mr. Douglas be therefore released from attending the Committee on Price Spreads and Mass Buying, and the Clerk was directed to advise Mr. Douglas accordingly.

The Honourable Walter C. Buckle, Minister of Agriculture for the Province of Saskatchewan, was called, sworn and examined.

The witness illustrated his evidence with five charts in blue print which were filed with the Clerk. These indicate: (a) Acreage of wheat, oats and barley in Saskatchewan, 1924-1933; (b) production of wheat, oats and barley in Saskatchewan, 1924-1933; (c) farm live stock in Manitoba, Saskatchewan, and Alberta, 1924-1933; (d) number of live stock in Saskatchewan, 1924-1933; (e) gross value production grain and farm animals, Saskatchewan, 1924-1933.



The witness also submitted a chart entitled, "Searle Farmers' Index of the price of wheat, of things farmers buy, of taxes, of wholesale commodities, and of hourly wages of industrial labour." After some discussion with respect to the information conveyed by this chart, the Clerk was instructed to submit it to Dr. Coats, Dominion Statistician, with the request that it be compared with official statistics, after which an official of the Statistical Branch would be called to explain it further to the members of the Committee.

Witness discharged.

The Honourable D. G. McKenzie was recalled and further examined.

Witness discharged and the Committee adjourned at 12.45 until to-morrow, at 11 a.m.

R. ARSENAULT,  
*Clerk of the Committee.*

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ROOM 368, HOUSE OF COMMONS,

THURSDAY, April 19, 1934.

The Special Committee appointed to inquire into Price Spreads and Mass Buying met at 11 a.m., the Chairman, Hon. Mr. Stevens presiding.

*Members present:* Messrs. Stevens, Bell (*St. John-Albert*), Boulanger, Edwards, Factor, Ilsley, Kennedy (*Peace River*), Kennedy (*Winnipeg South Centre*), Senn and Young.

In attendance, Mr. Norman Sommerville, K.C., Council to the Committee.

The minutes of the last meeting were approved.

The Clerk filed communications from the Edmonton and Saskatoon Stock Yards, in reply to the information requested by the Committee on March 22.

Mr. Alexander MacKenzie, wholesale butcher, Toronto, was called, sworn and examined.

Witness discharged.

Mr. Robert A. Wright, President of the Western Canada Live Stock Union, was called, sworn and examined.

At 12.50 p.m., witness retired and the Committee adjourned until 4 o'clock this day.

#### AFTERNOON SITTING

The Committee resumed at 4 p.m., Mr. Senn in the chair.

*Members present:* Messrs. Bell, (*St. John-Albert*), Boulanger, Edwards, Factor, Ilsley, Kennedy (*Peace River*), Kennedy (*Winnipeg South Centre*), Senn and Young.

Counsel in attendance.

Mr. Wright recalled and further examined. He filed, —

Exhibit No. 102.—Statement showing cost of handling and distributing milk.

Witness discharged.

The Hon. D. G. McKenzie, Minister of Agriculture for Manitoba, was recalled and further examined.

Witness discharged.

Mr. E. J. Smith, of the White Packing Company, Stratford, Ont., was called, sworn and examined.

Witness discharged.

Mr. W. A. Wilson, Animal Products Trade Commissioner, London, England, was called, sworn and examined.

Witness discharged.

The Committee adjourned at 6.20 until Tuesday, April 24, at 11 a.m.

R. ARSENAULT,

*Clerk of the Committee.*

HOUSE OF COMMONS, ROOM 368,

TUESDAY, April 24, 1934.

The Special Committee appointed to enquire into Price Spreads and Mass Buying met at 11 a.m., the Chairman, Hon. Mr. Stevens presiding.

*Members present:* Messrs. Stevens, Baribeau, Bell (*St. John-Albert*), Edwards, Factor, Kennedy (*Peace River*), Kennedy (*Winnipeg South Centre*), Senn and Young.

In attendance, Mr. Norman Sommerville, K.C., Counsel to the Committee and Mr. W. W. Parry, E. C., Assistant Counsel.

The minutes of the last meeting were approved.

Referring to the printed evidence of April 18, Mr. Young drew the attention of the Committee to a chart submitted by the witness, the Hon. W. C. Buckle, which had not been incorporated in the evidence. The clerk was directed to have said chart entitled "Searle farmers' index" printed as an appendix to No. 21 of the evidence.

Counsel filed,—

Exhibit No. 103.—Copy of the report of the Tobacco Enquiry Commission by the provinces of Ontario and Quebec, 1928.

Exhibit No. 104.—Memorandum entitled: Developments in the tobacco producing industry in Canada, 1928-1934.

Exhibit No. 5.—Statement showing statistics relative to the Canadian Tobacco industry, compiled by the Tobacco Division, Department of Agriculture, Ottawa, dated February 12, 1934.

Before proceeding with the calling of witnesses to be examined on the tobacco industry, Counsel read extracts from the report of the Registrar under the Combines Investigation Act on an alleged combine of tobacco manufacturers and other buyers of raw leaf tobacco in the Province of Ontario, 1933.

Mr. Edmond C. Scythes, President of the Victoria Tobacco Plantations, Simcoe, Ont., was called, sworn and examined.

At 12.50, witness retired, and the Committee adjourned to meet at 4.00, this day.

## AFTERNOON SITTING

The Committee resumed at 4 p.m.

Mr. Scythes recalled and further examined. He filed,—

Exhibit No. 106.—Graph showing United States tobacco growers' receipts and manufacturers' profits. (Printed in this day's proceedings).

Witness discharged.

Mr. H. A. Freeman, tobacco grower, Simcoe, Ont., was called, sworn and examined.

Witness discharged.

Mr. J. F. McKay, President of the Ontario Tobacco Plantations, Limited, Toronto, was called, sworn and examined.

Witness discharged.

The Committee adjourned at 6 o'clock until to-morrow, at 11 a.m.

R. ARSENAULT,  
*Clerk of the Committee.*

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HOUSE OF COMMONS, Room 368,  
WEDNESDAY, April 25, 1934.

The Special Committee appointed to enquire into Price Spreads and Mass Buying met at 11 a.m., the Chairman, Hon. Mr. Stevens, presiding.

*Members present:* Messrs. Stevens, Baribeau, Bell (*St. John-Albert*), Boulanger, Edwards, Factor, Kennedy (*Peace River*), Kennedy (*Winnipeg South Centre*), Senn and Young.

In attendance, Mr. Norman Sommerville, K.C., Counsel to the Committee and Mr. W. W. Parry, K.C., Assistant Counsel.

The minutes of the last meeting were approved.

The Clerk filed a communication from Canada Packers Limited.

On motion of Mr. Senn,—

*Resolved*,—That Mr. Leonard W. Fraser, Barrister, 149 Hollis Street, Halifax, N.S., be appointed special investigator to enquire into and investigate the matters that are the subject of the reference to this parliamentary committee on Price Spreads and Mass Buying, in so far as the same relate to the Fishing Industry, and to report from time to time to this Committee.

Mr. W. F. Kingston, tobacco grower, St. Thomas, Ont., was called, sworn and examined.

Witness discharged.

Mr. Archibald Leitch, tobacco grower, Guelph, Ont., was called, sworn and examined.

At 12.50 witness retired and the Committee adjourned until 3.30 this day.



## AFTERNOON SITTING

The Committee resumed at 3.30 p.m.

Mr. Leitch recalled and further examined.

Witness discharged.

The Committee adjourned at 4.50 until to-morrow at 11 a.m.

R. ARSENAULT,  
*Clerk of the Committee.*

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ROOM 368, HOUSE OF COMMONS,

THURSDAY, April 26, 1934.

The Special Committee appointed to enquire into Price Spreads and Mass Buying met at 11 a.m., the Chairman, Hon. Mr. Stevens presiding.

*Members present:* Messrs. Stevens, Baribeau, Bell (*St. John-Albert*), Boulanger, Edwards, Factor, Kennedy (*Peace River*), Kennedy (*Winnipeg South Centre*), Senn and Young.

In attendance, Mr. Norman Sommerville, K.C., Counsel to the Committee, and Mr. W. W. Parry, K.C., Assistant Counsel.

The minutes of the last meeting were approved.

The Honourable George Hoadley, Minister of Agriculture, Province of Alberta, was called, sworn and examined.

At 12.55, witness retired and the Committee adjourned until 3.30 this day.

## AFTERNOON SITTING

The Committee resumed at 3.30 p.m.

Hon. Mr. Hoadley recalled and further examined.

Witness discharged.

Mr. Rosaire Roch, Manager, "Coopérative agricole de tabac", St. Jacques, Co. Montcalm, Que., was called, sworn and examined.

Witness discharged.

Mr. Philippe Blais, Manager, "La Société Coopérative agricole de la vallée d'Yamaska", St. Césaire, Que., was called, sworn and examined.

Witness discharged.

Mr. M. H. Swatman, tobacco grower, Leamington, Ont., was called, sworn and examined.

Witness discharged.

The Committee adjourned at 6 o'clock, until Tuesday, May 1st, at 11 a.m.

R. ARSENAULT,  
*Clerk of the Committee.*

HOUSE OF COMMONS, ROOM 368,

TUESDAY, May 1st, 1934.

The Special Committee appointed to enquire into Price Spreads and Mass Buying met at 11 a.m., the Chairman, Hon. Mr. Stevens presiding.

*Members present:* Messrs. Stevens, Baribeau, Bell (*St. John-Albert*), Boulanger, Edwards, Factor, Kennedy (*Peace River*), Kennedy (*Winnipeg South Centre*), and Young.

Counsel in attendance, Mr. W. W. Parry, K.C.

The minutes of the last meeting were approved.

On motion of Mr. Boulanger,—

*Ordered*,—That the Clerk of Petitions of the House of Commons appear and submit all petitions received by the House this session against the imposition of a tax on raw leaf tobacco; and that the Prime Minister and the Minister of Finance be respectfully requested to refer to this Committee all petitions or protests against the imposition of a tax on raw leaf tobacco which they may have received during the present session.

Mr. Boulanger expressed the desire to have Mr. Charles Frenette, St. Charles de Bellechasse, and another representative of the tobacco growers in the Province of Quebec called as witnesses before the Committee. This was agreed to and Mr. Boulanger was asked to confer with Counsel as to the date on which these witnesses could be requested to appear.

At the request of Mr. Philippe Blais, a witness who appeared before the Committee on April 26, the Clerk was authorized to make the following correction in his evidence, viz:—

Page 1308 of the printed proceedings, seventh line from the top of the page, the words "green leaf" to be substituted to the word "processed," Mr. Somerville's question to read: "So that the price from 1927 to 1932 dropped from 22 cents to 10 cents; that is the price your farmers got on their green leaf tobacco. . ." etc., and witness' answer: "Yess".

Counsel filed,—

Exhibit No. 107.—Three Charts described as follows:—

Chart "A"—Showing average yearly prices of one pound of wheat, flour used in one pound of bread, and one pound of bread (1913-1923).

Chart "B"—Showing spreads between average yearly prices of one pound of wheat (Fort William basis) flour used in one pound of bread, and one pound of bread (1913-1923).

Chart "C"—Showing relation of Canadian wheat, flour and bread prices, 1924-1933, as compared to the relation of their average for the year 1923.

Exhibit No. 108.—Copy of report by the Registrar under the Combines Investigation Act, relative to an investigation into an alleged combine in the Bread-Baking Industry in Canada, dated February 5, 1931.

Exhibit No. 109.—Copy of report on the Bread and other Baking Products in Canada, 1932, published by the Bureau of Statistics, Department of Trade and Commerce.

Mr. R. J. Pinchin, Vice-President of the Copeland Flour Mills, Limited, Midland, Ont., was called, sworn and examined.

Witness discharged.

At 1 o'clock, the Committee adjourned until 3.30 this day.

#### AFTERNOON SITTING

The Committee resumed at 3.30 p.m.

Mr. J. R. Jetté, Manager of L. Caron, Limited, Montreal, was called, sworn and examined.

Witness discharged.

Messrs. W. H. Harrison and G. E. W. Harrison, Montreal, were called together, sworn and examined.

Witnesses filed,—

Exhibit No. 110.—Series of advertisements showing series of reductions in the price of bread by chain stores, including combination prices for one loaf of bread and one quart of milk.

Witnesses discharged.

Mr. Cecil Morrison, of Morrison-Lamothe, Ltd., Ottawa, was called, sworn and examined.

Witness filed,—

Exhibit No. 111.—Newspaper advertisement containing an extract of an editorial from "Advertising and Selling," on the price of bread.

Witness discharged.

Mr. E. A. Berges, of Berges and Shelley, Kitchener, Ont., was called, sworn and examined.

Witness filed,—

Exhibit No. 112.—Three newspaper advertisements illustrating the advertising of bread as a loss leader.

Witness discharged.

The Committee adjourned at 5.30 until to-morrow, at 11 a.m.

R. ARSENAULT,  
*Clerk of the Committee.*



HOUSE OF COMMONS, ROOM 368,

WEDNESDAY, May 2, 1934.

The Special Committee appointed to enquire into Price Spreads and Mass Buying met at 11 a.m., the Chairman, Hon. Mr. Stevens presiding.

*Members present:* Messrs. Stevens, Baribeau, Bell (*St. John-Albert*), Boulanger, Edwards, Factor, Kennedy (*Peace River*), Kennedy (*Winnipeg South Centre*), Senn and Young.

Counsel in attendance, Mr. W. W. Parry, K.C.

The minutes of the last meeting were approved.

Counsel filed,—

Exhibit No. 113.—Copy of a suggested code of ethics submitted by The Master Bakers Association of Saint John, New Brunswick, together with a number of newspaper advertisements with affidavits attached thereto.

Mr. James Dempster, Toronto, was called, sworn and examined.

Witness filed,—

Exhibit No. 114.—Newspaper clippings identified as (a) Advertisement by A. & P. store offering bread at 5c. a loaf; (b) Extract of a news item in the *Toronto Telegram*, Feb. 8, 1934, entitled "Say city bread supplier pays drivers \$8 a week."

Witness discharged.

Mr. H. W. Ward, Vice-President of Canadian Bakeries, Limited, Calgary, was called, sworn and examined.

Witness filed,—

Exhibit No. 115.—Five photographs submitted as illustrating the unfair exploitation of the baking industry, each photograph identified by numbers 1 to 5 on the reverse side.

Exhibit No. 116.—Series of newspaper advertisements illustrating the use of loss leaders.

Exhibit No. 117.—Copy of a suggested code of ethics submitted by the Master Baker Association of Vancouver.

Witness discharged.

The committee adjourned at 12.45 until 4 o'clock this day.

#### AFTERNOON SITTING

The committee resumed at 4 p.m.

Mr. Mark Bredin, Toronto, was called, sworn and examined.

Witness filed,—

Exhibit No. 118.—Series of advertisements, photographs, invoices, etc., submitted as an illustration of unfair trade practices in the Baking Industry.

Exhibit No. 119.—Statement entitled: Toronto Retail Cake Bakers' criticism on Canadian Bakers' Association code.

Witness discharged.

The committee adjourned until to-morrow, Thursday, at 11 a.m.

R. ARSENAULT,

*Clerk of the Committee.*

HOUSE OF COMMONS, ROOM 368,

THURSDAY, May 3, 1934.

The Special Committee appointed to enquire into Price Spreads and Mass Buying met at 11 a.m., the Chairman, Hon. Mr. Stevens presiding.

*Members present:* Messrs. Stevens, Baribeau, Bell (*St. John-Albert*), Boulanger, Edwards, Factor, Ilsley, Kennedy (*Peace River*), Kennedy (*Winnipeg South Centre*), Senn and Young.

In attendance, Mr. Norman Sommerville, K.C., Counsel to the Committee, and Mr. W. W. Parry, K.C., Assistant Counsel.

The minutes of the last meeting were approved.

Mr. J. P. DOYLE, Clerk of Petitions, House of Commons, appeared before the Committee and filed,

Exhibit No. 120.—All petitions and resolutions of protest received by the House of Commons during the present session against the imposition of an excise tax on raw leaf tobacco.

Counsel filed:

Exhibit No. 121.—Statement by the Bureau of Statistics showing the price index numbers and actual price of tobacco from 1926 to 1933, and the prices of tobacco and cigarettes, 1932-1933.

The Clerk filed a letter received from Dr. R. H. Coats, Dominion Statistician, which was partly read into the record.

The Chairman referred to communications received from some of the tobacco manufacturers with reference to conferences held between manufacturers and producers. Mr. A. Leitch, tobacco grower of Guelph, Ont., who was in attendance, was requested to prepare a written statement on behalf of the tobacco growers, this statement with those of the manufacturers to be discussed by the Committee in executive session.

Mr. G. Miller, President of the Imperial Tobacco Co. of Canada, Ltd., Montreal, was called, sworn and examined.

At 1 o'clock, witness retired and the Committee adjourned until 3.30 this day.

#### AFTERNOON SITTING

The Committee resumed at 3.30 p.m.

Mr. Miller recalled and further examined.

Witness retired.

The Committee adjourned at 6 o'clock until to-morrow, Friday, at 11 a.m.

R. ARSENAULT,  
*Clerk of the Committee.*

HOUSE OF COMMONS, ROOM 368,

FRIDAY, May 4, 1934.

The Special Committee appointed to inquire into Price Spreads and Mass Buying met at 11 a.m., the Chairman, Hon. Mr. Stevens presiding.

*Members present:* Messrs. Stevens, Baribeau, Bell (*St. John-Albert*), Boulanger, Edwards, Factor, Ilsley, Kennedy (*Peace River*), Kennedy (*Winnipeg South Centre*), Senn and Young.

In attendance, Mr. Norman Sommerville, K.C., Counsel to the Committee and Mr. W. W. Parry, K.C., Assistant Counsel.

The minutes of the last meeting were approved.

Mr. Gray Miller, President of the Imperial Tobacco Company of Canada, Limited, Montreal, was recalled and further examined.

Witness stood aside.

Mr. Archibald Leitch, Guelph, Ont., called, sworn and examined.

Witness discharged.

Mr. Miller recalled and further examined.

Witness retired.

At 1 o'clock the Committee adjourned until Tuesday, May 8, at 11 a.m.

R. ARSENAULT,

*Clerk of the Committee.*

HOUSE OF COMMONS, ROOM 368,

TUESDAY, May 8, 1934.

The Special Committee appointed to inquire into Price Spreads and Mass Buying met at 11 a.m., the Chairman, Hon. Mr. Stevens, presiding.

*Members present:* Messrs. Stevens, Baribeau, Bell (*St. John-Albert*), Boulanger, Edwards, Factor, Ilsley, Kennedy (*Peace River*), Kennedy (*Winnipeg South Centre*), Senn, and Young.

In attendance, Mr. Norman Sommerville, K.C., Counsel to the Committee, and Mr. W. W. Parry, K.C., Assistant Counsel.

The minutes of the last meeting were approved.

On motion of Mr. Edwards,—

*Resolved*,—That the expense accounts incurred in connection with investigations conducted for this Committee by Messrs. S. Cuddy and W. J. Boulton, officials of the Department of Trade and Commerce, be paid.

The Chairman read a communication addressed to him by the National Associated Women's Wear Bureau, Montreal, drawing attention to the fact that some unauthorized person had been seeking information from members of that industry claiming to have been engaged to do so on behalf of this Committee. (Letter printed in to-day's record.)



Mr. Gray Miller, President of the Imperial Tobacco Company of Canada, Limited, Montreal, was recalled and further examined.

In the course of Mr. Miller's examination, Counsel read a communication addressed to him by the witness with a list of statements and other documents filed this day with the Committee, or to be filed at a future date. (Complete list of said statements, etc., printed in to-day's evidence.)

Mr. Henry P. Buell, one of the executive officers of the Imperial Tobacco Company of Canada, Limited, Montreal, was called, sworn and examined concurrently with Mr. Miller.

At 1 o'clock witnesses retired and the Committee adjourned until 4 o'clock this day.

### AFTERNOON SITTING

The Committee resumed at 4 p.m.

Mr. Miller recalled and further examined. He filed,—

Exhibit No. 122.—Statement showing the interest of the Imperial Tobacco Company of Canada, Limited, in B. Houde Company, Limited.

Exhibit No. 123.—Statement showing the undivided profits of Imperial Tobacco Company of Canada, Limited, and its subsidiary companies as at 31st December, 1933.

Exhibit No. 124.—Recapitulation of daily contracts for purchases, by the Imperial Tobacco Company of Canada, Limited, of flue-cured tobacco, 1931 crop, *Delhi*.

Exhibit No. 125.—Recapitulation of daily contracts for purchases, by the Imperial Tobacco Company of Canada, Limited, of flue-cured tobacco, 1931 crop, *Leamington*.

Exhibit No. 126.—Statement showing Delhi green leaf purchases by Imperial Leaf Tobacco Company of Canada, Limited, for the years 1930, 1931, 1932, and 1933.

Exhibit No. 127.—United Cigar Stores Limited: Statement of net income and wages for three years ended December 31, 1931-1933 (for Toronto stores as listed).

Exhibit No. 128.—Imperial Tobacco Company of Canada, Limited, total factory pay-roll for the years 1931, 1932, and 1933.

Exhibit No. 129.—List of salaries and bonuses to chief executives of the Imperial Tobacco Company of Canada, Limited, and subsidiary companies.

Exhibit No. 130.—Copy of indenture dated 7th July, 1921, between *British-American Tobacco Company, Limited*, and *Imperial Tobacco Company of Canada, Limited*.

Exhibit No. 131.—Copy of memorandum of agreement dated 23rd September, 1921, between *Imperial Tobacco Company of Canada, Limited* and *George Garland Allen and Edgar Simeon Bowling*.

Exhibit No. 132.—Imperial Tobacco Company of Canada, Limited, By-Law 87a, December, 1929.

Witness retired.

The Committee adjourned at 6 o'clock until to-morrow, Wednesday, at 11 a.m.

R. ARSENAULT,

*Clerk of the Committee.*

HOUSE OF COMMONS, ROOM 368,

WEDNESDAY, May 9, 1934.

The Special Committee appointed to inquire into Price Spreads and Mass Buying met at 11 a.m., the Chairman, Hon. Mr. Stevens, presiding.

*Members present:* Messrs. Stevens, Baribeau, Bell (*St. John-Albert*), Boulanger, Edwards, Factor, Ilsley, Kennedy (*Peace River*), Kennedy (*Winnipeg South Centre*), Senn, and Young.

Counsel in attendance, Mr. Norman Sommerville, K.C.

The minutes of the last meeting were approved.

Mr. Gray Miller, President of the Imperial Tobacco Company of Canada, Limited, Montreal, and Mr. H. P. Buell, Vice-President, were called, sworn and examined together. Mr. Miller filed,—

Exhibit No. 133.—Statement showing daily purchases by the Imperial Tobacco Company of Canada, Limited, of flue-cured tobacco, 1932 crop.

Exhibit No. 134.—Imperial Tobacco Company of Canada, Limited, and subsidiary companies' statement showing Canadian grown leaf on hand as at March 31, 1930 to 1934, inclusive.

Exhibit No. 135.—Copy of brief submitted by Mr. Miller.

On motion of Mr. Factor,—

*Ordered*,—That the brief submitted by Mr. Miller be printed in to-day's record of proceedings.

Witnesses retired.

The Committee adjourned until 3.30 this day.

#### AFTERNOON SITTING

The Committee resumed at 3.30 p.m.

Mr. Miller recalled and further examined.

Mr. Miller retired.

Mr. T. L. Lea, Manager of the Ontario Leaf Department, Imperial Tobacco Company of Canada, Limited, Montreal, was called, sworn and examined.

In the course of Mr. Lea's examination, Counsel filed,—

Exhibit No. 136.—Memorandum on effects of change in policy as to tobacco prices following Mr. Lea's visit to Montreal, 1931.

Witness retired.

Mr. Sylvester Robbins, New Toronto, Ontario, was called, sworn and examined.

Witness discharged.

Mr. Francis Gregory, Leamington, Ontario, was called, sworn and examined.

At six o'clock witness retired and the Committee adjourned until to-morrow, Thursday, at 10.30 a.m.

R. ARSENAULT,

*Clerk of the Committee.*

HOUSE OF COMMONS, ROOM 368,

THURSDAY, May 10, 1934.

The Special Committee appointed to inquire into Price Spreads and Mass Buying met at 10.30 a.m., the Chairman, Hon. Mr. Stevens, presiding.

*Members present:* Messrs. Stevens, Baribeau, Bell (*St. John-Albert*), Boulanger, Edwards, Factor, Ilsley, Kennedy (*Peace River*), Kennedy (*Winnipeg South Centre*), Senn, and Young.

In attendance, Mr. Norman Sommerville, K.C., Counsel to the Committee, and Mr. W. W. Parry, K.C., Assistant Counsel.

The minutes of the last meeting were approved.

Mr. Joseph Marion, St. Jacques, Montcalm Company, P.Q., was called, sworn and examined. Witness gave his evidence in French, Mr. J. C. Beauchamp of the House of Commons Translation staff being sworn as interpreter.

Witness discharged.

Mr. Charles Frenette, St. Charles de Bellechasse, P.Q., was called, sworn and examined. Witness gave his evidence in French, Mr. Beauchamp acting as interpreter.

Witness discharged.

Mr. Ernest Forest, L'Epiphanie, P.Q., was called, sworn and examined. Witness gave his evidence in French, Mr. Beauchamp acting as interpreter.

Witness discharged.

Mr. Victor Chartrand, Vice-President of Forest Limited, l'Epiphanie, P.Q., was called, sworn and examined. Witness gave his evidence in French, Mr. Beauchamp acting as interpreter.

Witness discharged.

The Committee adjourned at 12.55 until 4 o'clock this day.

#### AFTERNOON SITTING

The Committee resumed at 4 p.m.

Mr. Walter Stewart, President of the Macdonald Tobacco Company, Montreal, was called, sworn and examined.

Witness retired.

Mr. Norman A. Lockwood, President of the Hodge Tobacco Company of Canada, Limited, Kingsville, Ontario, was called, sworn and examined.

Witness discharged.

The Committee adjourned at 6 o'clock until Monday, May 14, at 11 a.m.

R. ARSENAULT,  
*Clerk of the Committee.*



HOUSE OF COMMONS, ROOM 368,

MONDAY, May 14, 1934.

The Special Committee appointed to inquire into Price Spreads and Mass Buying met at 11 a.m., the Chairman, Hon. Mr. Stevens, presiding.

*Members present:* Messrs. Stevens, Bell (*St. John-Albert*), Factor, Ilsley, Kennedy (*Peace River*), Kennedy (*Winnipeg South Centre*), Senn, and Young.

In attendance, Mr. Norman Sommerville, K.C., Counsel to the Committee, and Mr. W. W. Parry, K.C., Assistant Counsel.

The minutes of the last meeting were approved.

Counsel filed,—

Exhibit No. 137.—Financial statements of L. O. Grothe, Limited, for the years 1929 to 1933, inclusive.

Exhibit No. 138.—Financial statements of the Rock City Tobacco Company, Limited, for the years 1929 to 1933, inclusive.

Exhibit No. 139.—Financial statements of the Canadian Leaf Tobacco Company, Limited, for the years 1929 to 1933, inclusive.

Exhibit No. 140.—Financial statements of the British Leaf Tobacco Company of Canada, Limited, for the years 1929 to 1933, inclusive.

Mr. Francis R. Gregory recalled and further examined.

Witness discharged.

Mr. Gray Miller, President of the Imperial Tobacco Company of Canada, Limited, recalled and further examined. He filed,—

Exhibit No. 141.—Statement showing history of price changes on ten leading cigarette brands, and on ten leading tobacco brands.

Witness retired.

The Committee adjourned at 1 o'clock until 3.30 this day.

#### AFTERNOON SITTING

The Committee resumed at 3.30 p.m.

*Members present:* Messrs. Stevens, Bell (*St. John-Albert*), Boulanger, Factor, Ilsley, Kennedy (*Peace River*), Kennedy (*Winnipeg South Centre*), Senn, and Young.

Mr. Miller recalled and further examined.

Witness produced the following statements which were ordered printed into the record, viz:—

(a) Statement showing quantities and grades of Canadian grown leaf (Canadian Virginia and Burley) used during the twelve months ended March 31, 1930, to 1934, inclusive.

(b) Statement of shares in the B. Houde Company held by the Imperial Tobacco Company of Canada, Limited, showing date and manner of acquisition.

(c) Statement entitled: Popular package sale (of cigarettes)—Comparison between Canada and United States—Distribution to government, dealers and manufacturers.

Witness retired.

At this stage of the proceedings, the Chairman read a communication addressed to him by the Right Honourable the Prime Minister, and another addressed to Counsel by Mr. Walter M. Stewart, President of W. C. Macdonald, Inc., Montreal, with reference to certain evidence given by Mr. Stewart when appearing before the Committee on the 10th May.

Mr. Stewart having referred to certain Ministers of the Crown in his evidence, and the Ministers of Finance, of National Revenue and the Secretary of State being specifically mentioned in his letter to Counsel, it was unanimously agreed that these Ministers be granted the courtesy to appear before the Committee and make a statement.

Mr. Earl Spafford, Vice-President in charge of sales and advertising, Imperial Tobacco Company of Canada, Limited, Montreal, was called, sworn and examined.

Witness retired.

The Committee adjourned at 6 o'clock until to-morrow, Tuesday, at 11 a.m.

R. ARSENAULT,  
*Clerk of the Committee.*

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HOUSE OF COMMONS, ROOM 368,  
TUESDAY, May 15, 1934.

The Special Committee appointed to enquire into Price Spreads and Mass Buying met at 11 a.m., the Chairman, Hon. Mr. Stevens presiding.

*Members present:* Messrs. Stevens, Baribeau, Bell (*St. John-Albert*), Boulanger, Edwards, Factor, Ilsley, Kennedy (*Peace River*), Kennedy (*Winnipeg South Centre*), Senn and Young.

In attendance, Mr. Norman Sommerville, K.C., Counsel to the Committee, and Mr. W. W. Parry, K.C., Assistant Counsel.

The minutes of the last meeting were approved.

The Clerk filed, as part of Exhibit No. 120,—

Petitions addressed to the Minister of Finance, protesting against the imposition of an excise tax on leaf tobacco, said petitions being referred to this Committee in compliance with a resolution adopted on May 1st.

Mr. Earl Spafford recalled and further examined. Witness filed,—

Exhibit No. 142.—Series of telegrams relating to the Imperial Tobacco Company's attitude towards price maintenance and merchandising methods.

Exhibit No. 143.—Copy of agreement entered into by members of the Ontario Wholesale Tobacco Distributors.

Witness retired.

Mr. Charles W. Thomas, representing The Canadian Leaf Tobacco Company, Limited, Chatham, Ont., was called, sworn and examined.

Witness discharged.

The Committee adjourned at 12.35 until 3.30 this day.

### AFTERNOON SITTING

The Committee resumed at 3.30 p.m.

The Clerk read into the record a communication from Mr. Charles Frenette, St. Charles de Bellechasse, Que., addressed to Mr. Boulanger, with reference to his evidence given before the Committee on May 10.

Mr. John Hughes, Secretary-Treasurer of L. O. Grothe Limited, Montreal, was called, sworn and examined.

Witness discharged.

Mr. H. C. Fortier, tobacco distributor, Montreal, was called, sworn and examined.

Witness discharged.

Mr. A. C. Picard, Vice-President, Rock City Tobacco Company, Limited, Montreal, was called, sworn and examined.

Witness discharged.

At this point, Mr. E. Snafford was allowed to make a brief statement.

Mr. A. G. Munich, President, Benson and Hedges, Canada Limited, Montreal, was called, sworn and examined.

Witness discharged.

The Committee adjourned at 6.05 until to-morrow, Wednesday, at 3.30 p.m.

R. ARSENAULT,  
*Clerk of the Committee.*

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HOUSE OF COMMONS, ROOM 368,  
WEDNESDAY, May 16, 1934.

The Special Committee appointed to inquire into Price Spreads and Mass Buying met at 3.30 p.m., the Chairman, Hon. Mr. Stevens, presiding.

*Members present:* Messrs. Stevens, Baribeau, Bell (*St. John-Albert*), Boulanger, Edwards, Factor, Ilsley, Kennedy (*Peace River*), Kennedy (*Winnipeg South Centre*), Senn, and Young.

In attendance, Mr. Norman Sommerville, K.C., Counsel to the Committee, and Mr. W. W. Parry, K.C., Assistant Counsel.

The minutes of the last meeting were approved.



The Clerk filed,—

Exhibit No. 144.—Financial statements of The Tuckett Tobacco Co., Ltd., 1930 to 1933, inclusive.

Exhibit No. 145.—Financial statements of The Hodge Tobacco Co. of Canada, Ltd., 1929 to 1933, inclusive, together with statement covering purchases of 1933 crop of flue-cured tobacco.

Exhibit No. 146.—Financial statements of The Dominion Tobacco Co., Ltd., 1929 to 1933, inclusive.

Exhibit No. 147.—Financial statements of Empire Tobacco Co., Ltd., 1929 to 1933, inclusive.

Exhibit No. 148.—Financial statements of James Kirk Limited, 1929 to 1933, inclusive.

Exhibit No. 149.—Financial statements of The H. Fortier Co., Ltd., 1929 to 1933, inclusive.

Exhibit No. 150.—Financial statements of John Erzinger, Ltd., 1929 to 1933, inclusive.

Exhibit No. 151.—Financial statements of Scales and Roberts, Ltd., 1929 to 1933, inclusive.

Exhibit No. 152.—Financial statements of American Tobacco Co., Ltd., 1930 to 1933, inclusive.

Exhibit No. 153.—Financial statements of Punch Cigar Co., Ltd., 1929 to 1933, inclusive.

Exhibit No. 154.—Financial statements of Andrew Wilson & Co., Ltd., 1929 to 1933, inclusive.

Exhibit No. 155.—Financial statements of National Tobacco Co., Ltd., 1929 to 1933, inclusive.

Exhibit No. 156.—Financial statements of Liggett & Myers Tobacco Co. of Canada, Ltd., 1929 to 1933, inclusive.

Exhibit No. 157.—Financial statements of Quebec Leaf Tobacco Co., Ltd., 1931 to 1933, inclusive.

Exhibit No. 158.—Financial statements of General Cigar Co., Ltd., 1929 to 1933, inclusive.

Exhibit No. 159.—Financial statements of The B. Houde Co., Ltd., 1929 to 1933, inclusive.

Exhibit No. 160.—Financial statements of United Cigar Stores, Ltd., 1929 to 1933, inclusive.

Exhibit No. 161.—Financial statement of United Cigar Stores (New Brunswick) Ltd., 1933.

Exhibit No. 162.—Financial statement of United Cigar Stores (Nova Scotia) Ltd., 1933.

Counsel read a telegram addressed by him to Mr. Walter M. Stewart, President of W. C. Macdonald Inc., Montreal, and Mr. Stewart's reply thereto.

The Hon. Mr. Cahan, Secretary of State, and the Hon. Mr. Matthews, Minister of National Revenue, both appeared and made statements with reference to certain allegations made by Mr. Stewart in giving evidence before the Committee on the 10th of May.

Counsel filed,—

Exhibit No. 163.—List of Canadian Leaf Tobacco Company grade marks.

Exhibit No. 164.—Statement of W. C. Macdonald Inc., showing price changes on cut tobacco and cigarettes.

Exhibit No. 165.—Statement of W. C. Macdonald Inc., showing wages and hours of labour.

Mr. G. Miller, President, Imperial Tobacco Co. of Canada, Ltd., filed,—

Exhibit No. 166.—Statement showing Imperial Tobacco Co., scale of wages prior to July 3, 1933, compared with scale of wages at the present time.

Mr. A. Leitch of Guelph, Ont., who was examined and discharged on May 4, was recalled, sworn and further examined. He filed,—

Exhibit No. 167.—Memorandum on cost of producing flue-cured tobacco, re Imperial Tobacco Co's brief page 48 et seq.

Witness discharged.

Mr. Earl Spafford, Vice-President in charge of sales and advertising, Imperial Tobacco Co. of Canada, Ltd., was recalled, at his own request, and further examined.

Witness retired.

The Committee adjourned at 6 o'clock until to-morrow, Thursday, at 10 a.m.

R. ARSENAULT,

*Clerk of the Committee.*

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HOUSE OF COMMONS, ROOM 368,

THURSDAY, May 17, 1934.

The Special Committee appointed to inquire into Price Spreads and Mass Buying met at 10 a.m., the Chairman, Hon. Mr. Stevens, presiding.

*Members present:* Messrs. Stevens, Baribeau, Bell (*St. John-Albert*), Boulanger, Edwards, Factor, Ilsley, Kennedy (*Peace River*), Kennedy (*Winnipeg South Centre*), Senn, and Young.

In attendance, Mr. Norman Sommerville, K.C., Counsel to the Committee, and Mr. W. W. Parry, K.C., Assistant Counsel.

The minutes of the last meeting were approved.

Mr. Earle Spafford, Vice-President in charge of sales and advertising, Imperial Tobacco Company of Canada, Limited, Montreal, was recalled and further examined.

Witness retired.

Mr. John Hughes, Secretary-Treasurer, L. O. Grothe, Ltd., Montreal, who was examined and discharged on May 15, was, at his own request, recalled, sworn and further examined.

Witness discharged.

Mr. A. G. Munich, President, Benson & Hedges, Canada, Ltd., Montreal, who was examined and discharged on May 15, was, at his own request, recalled, sworn and further examined.

Witness discharged.

Messrs. Gray Miller, H. P. Buell, T. L. Lea, and Earle Spafford, officials of the Imperial Tobacco Company of Canada, Ltd., Montreal, and Mr. W. M. Stewart, President, W. C. Macdonald, Inc., Montreal, were discharged.

Mr. M. M. Robinson, Chairman of the Ontario Growers' Markets Council, Burlington, Ont., was called, sworn and examined.

At 12.55, witness retired and the Committee adjourned until 3.30 this day.

### AFTERNOON SITTING

The Committee resumed at 3.30 p.m.

Mr. M. M. Robinson was recalled and further examined.

Witness discharged.

Mr. L. B. Reynolds, Waterford, Ont., was called, sworn and examined.  
He filed,—

Exhibit No. 168.—Jar of strawberries, illustrating a 40 per cent fruit content in a 32 ounce jar.

Exhibit No. 169.—Jar of strawberries with 10 per cent fruit content.

Exhibit No. 170.—Jar of Crosse and Blackwell's strawberry jam with added pectin and colour.

Exhibit No. 171.—Jar of Old City strawberry jam with added pectin and colour.

Exhibit No. 172.—Jar of Anne Paton strawberry jam with added pectin, colour and sodium benzoate.

Exhibit No. 173.—Jar of Smith's pure strawberry jam.

Exhibit No. 174.—Jar of Gold Medal raspberry jam with added fruit pectin and colour.

Exhibit No. 175.—Jar of Sunrise raspberry jam with added pectin and colour.

Exhibit No. 176.—Jar of Crosse and Blackwell's raspberry jam with added pectin and colour.

Exhibit No. 177.—Jar of Crosse and Blackwell's pure strawberry jam, 12 ounce net.

Exhibit No. 178.—Jar of Crosse and Blackwell's strawberry jam with added pectin and colour.

Exhibit No. 179.—Jar of Eatonia Brand strawberry jam with added fruit pectin.

Exhibit No. 180.—Jar of Old City raspberry jam with added pectin and colour.

Witness discharged.

Mr. E. M. Smart, of Smart Bros., Ltd., Collingwood, Ont., was called, sworn and examined.

Witness discharged.

The Committee adjourned until to-morrow, Friday, at 11 a.m.

R. ARSENAULT,

*Clerk of the Committee.*



Mr. M. M. Robinson, Burlington, Ont., who gave evidence on May 17, appeared at his own request, and made a statement.

Mr. Grubb recalled and further examined. He filed,—

Exhibit No. 188.—Statement showing consumers' cash prices in Ontario on 16 per cent superphosphate for the spring seasons of 1929 to 1934 inclusive.

Exhibit No. 189.—Statement showing comparison of fertilizer sacked actual costs, 1933.

Exhibit No. 190.—Canadian Industries Ltd. Price lists No. 5 and No. 8, spring season of 1934, with attached directions to dealers.

Exhibit No. 191.—Statement entitled: Operative investment December 31, 1933, Fertilizer Division—East.

Exhibit No. 192.—Ontario price schedule, terms, etc., spring season 1934, *re* fertilizer, showing discounts, commissions, etc.

Witness discharged.

Mr. A. B. Hannay, Secretary, Rubber Association of Canada, Toronto, was called, sworn and examined. He filed,—

Exhibit No. 193.—Tire companies' reports on wages.

Exhibit No. 194.—Rubber Association of Canada statement showing branch, distributor and warehouse points for tires.

Exhibit No. 195.—Tire bonus scale.

Exhibit No. 196.—Rubber Association of Canada statement *re* Canadian tire production, importation and exportation.

Exhibit No. 197.—Rubber Association of Canada statement *re* Casings—shipments, domestic and export—12 months 1933.

Exhibit No. 198.—Statement of sales, capital, employees, etc.—Rubber Association of Canada.

Witness discharged.

Mr. W. Sargeant, Manager of the Goodrich Rubber Co., Kitchener, Ont., was called, sworn and examined.

Witness discharged.

Mr. C. H. Carlisle, President of the Goodyear Tire and Rubber Co., Toronto, was called, sworn and examined.

Witness retired.

The Committee adjourned at 6 o'clock until to-morrow, Wednesday, at 10.30 a.m.

R. ARSENAULT,  
*Clerk of the Committee.*

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HOUSE OF COMMONS, ROOM 368,  
WEDNESDAY, May 23, 1934.

The Special Committee appointed to enquire into Price Spreads and Mass Buying met at 10.30 a.m., the Chairman, Hon. Mr. Stevens presiding.

*Members present:* Messrs. Stevens, Baribeau, Bell (*St. John-Albert*), Boulanger, Edwards, Factor, Ilsley, Kennedy (*Peace River*), Kennedy (*Winipeg South Centre*), Senn and Young.

In attendance, Mr. Norman Sommerville, K.C., Counsel to the Committee and Mr. W. W. Parry, K.C., Assistant Counsel.

The minutes of the last meeting were approved.

Mr. C. H. Carlisle, President of the Goodyear Tire and Rubber Co., Toronto, was recalled and further examined.

During the course of witness' examination, Counsel filed:—

Exhibit No. 199.—Reports on wages submitted by rubber footwear companies.

Witness discharged.

Mr. W. A. Eden, President of the Dominion Rubber Co., and Director of the Rubber Footwear Association, Montreal, and Mr. A. J. Badden, Secretary of the Rubber Footwear Association, Toronto, were called together, sworn and examined.

Witnesses retired.

The Committee adjourned at 12.55 until 3.30 this day.

#### AFTERNOON SITTING

The Committee resumed at 3.30 p.m.

Messrs. Eden and Badden recalled and further examined.

During the course of witnesses' examination, Counsel filed:—

Exhibit No. 200.—Representations from Retail merchants, Calgary, re unfair competition in sale of bicycle tires and tubes, with copy of advertisement, invoices and Dominion Rubber Company price list attached thereto.

Witnesses discharged.

Mr. Geo. Hougham, Secretary of the Ontario Provincial Board, Retail Merchants Association, Toronto, was allowed, at this stage, to make a short statement.

The Committee adjourned at 5 o'clock until Tuesday, May 28, at 11 a.m.

R. ARSENAULT,  
*Clerk of the Committee.*

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HOUSE OF COMMONS, ROOM 368.

TUESDAY, May 29, 1934.

The Special Committee appointed to enquire into Price Spreads and Mass Buying met at 11 a.m., the Chairman, Hon. Mr. Stevens presiding.

*Members present:* Messrs. Stevens, Baribeau, Bell (*St. John-Albert*), Boulanger, Edwards, Factor, Kennedy (*Peace River*), Kennedy (*Winnipeg South Centre*), Senn and Young.

In attendance, Mr. Norman Sommerville, K.C., Counsel to the Committee and Mr. W. W. Parry, K.C., Assistant Counsel.

The Minutes of the last meeting were approved.

On motion of Mr. Boulanger,—

*Ordered*,—That the expenses of Mr. Victor Chartrand, l'Epiphanie, Que., who appeared as a witness on May 10, be paid.

Mr. A. B. Shepherd, Accountant, of Peat, Marwick, Mitchell & Company, Toronto, was called, sworn and examined.

Witness retired.

The Committee adjourned at 12.55 p.m. until 3.30 p.m.

#### AFTERNOON SITTING

The Committee resumed at 3.30 p.m.

Mr. Shepherd was recalled and further examined. He filed,—

Exhibit No. 201.—Statement re Canada Packers Ltd.,—Beef cost sheet classifying carcasses by grades.

Witness retired.

The Committee adjourned until to-morrow at 11 a.m.

R. ARSENAULT,  
*Clerk of the Committee.*

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HOUSE OF COMMONS, ROOM 368.

WEDNESDAY, May 30, 1934.

The Special Committee appointed to enquire into Price Spreads and Mass Buying met at 11 a.m., the Chairman, Hon. Mr. Stevens presiding.

*Members present:* Messrs. Stevens, Bell (*St. John-Albert*), Boulanger, Edwards, Factor, Ilsley, Kennedy (*Winnipeg South Centre*), Kennedy (*Peace River*), Senn and Young.

In attendance, Mr. Norman Sommerville, K.C., Counsel to the Committee, and Mr. W. W. Parry, K.C., Assistant Counsel.

The Minutes of the last meeting were approved.

Mr. A. B. Shepherd, Toronto, of Peat, Marwick, Mitchell & Co., Accountants and Auditors, was recalled and further examined.

Witness retired.

The Committee adjourned at 12.50 until 3.30 this day.

#### AFTERNOON SITTING

The Committee resumed at 3.30 p.m.

Mr. Shepherd was recalled and further examined.

Witness retired.



Counsel submitted the report of an investigation made by Eric Richardson & Graves, Chartered Accountants, into the accounts and financial reorganization of Burns & Company, Limited, Calgary, Alberta. This was ordered printed into this day's record of proceedings.

The Committee adjourned until to-morrow, at 11 a.m.

R. ARSENAULT,  
*Clerk of the Committee.*

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HOUSE OF COMMONS, ROOM 368,

THURSDAY, May 31, 1934.

The Special Committee appointed to inquire into Price Spreads and Mass Buying met at 11 a.m., the Chairman, Hon. Mr. Stevens, presiding.

*Members present:* Messrs. Stevens, Bell (*St. John-Albert*), Boulanger, Edwards, Factor, Ilsley, Kennedy (*Peace River*), Kennedy (*Winnipeg South Centre*), Senn, and Young.

In attendance: Mr. Norman Sommerville, K.C., Counsel to the Committee, and Mr. W. W. Parry, K.C., Assistant Counsel.

The minutes of the last meeting were approved.

Counsel filed,—

Exhibit No. 202.—Annual Report and Balance Sheet of Canada Packers, Limited, for the years 1927-1928 to 1932-1933.

Mr. Ellis Moyer of Moyer Bros., Limited, St. Catharines, Ont., was called, sworn and examined. He filed,—

Exhibit No. 203.—Copy of letter addressed by Moyer Bros., Ltd., to the Hon. Thomas Weir, Minister of Agriculture, April 19, 1934, together with copies of advertisements featuring butter offered at less than cost.

Witness discharged.

Mr. A. B. Shepherd, of Peat, Marwick, Mitchell & Co., Accountants and Auditors, Toronto, was recalled and further examined.

Witness retired.

Mr. T. A. M. Hutchison, of Peat, Marwick, Mitchell & Co., Toronto, was called, sworn and examined. He filed,—

Exhibit No. 204.—Statement showing comparison of beef selling prices (4 weeks ended May 24, 1934) *re* Canada Packers, Ltd.

Exhibit No. 205.—Statement showing beef sales—cutter and boner grades—*re* Canada Packers, Ltd.

Witness retired.

The Committee adjourned until 3.30 this day.

## AFTERNOON SITTING

The Committee resumed at 3.30 p.m.

Mr. J. H. Tapley, Manager of Swift Canadian Company, Ltd., Toronto, was called, sworn and examined. He filed,—

Exhibit No. 206.—Statement *re* Swift Canadian Co. Ltd., on average monthly cost and selling price of butter, eggs and poultry.

Witness discharged.

The Committee adjourned until to-morrow, at 10 a.m.

R. ARSENAULT,

*Clerk of the Committee.*

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HOUSE OF COMMONS, ROOM 368,

FRIDAY, June 1, 1934.

The Special Committee appointed to inquire into Price Spreads and Mass Buying met at 10.30 a.m., the Chairman, Hon. Mr. Stevens, presiding.

*Members present:* Messrs. Stevens, Bell (*St. John-Albert*), Edwards, Factor, Ilsley, Kennedy (*Peace River*), Kennedy (*Winnipeg South Centre*), Senn.

In attendance, Mr. Norman Sommerville, K.C., Counsel to the Committee, and Mr. W. W. Parry, K.C., Assistant Counsel.

The minutes of the last meeting were approved.

Mr. J. A. Law, Manager, Wilsil Limited, Montreal, was called, sworn and examined. He filed,—

Exhibit No. 207.—Statement showing sales and purchases of butter, cheese and eggs by Wilsil Limited.

Witness discharged.

Mr. J. S. McLean, President, Canada Packers, Limited, Toronto, was called, sworn and examined.

Witness retired.

The Committee adjourned at 1 o'clock until 3.30 this day.

## AFTERNOON SITTING

The Committee resumed at 3.30 p.m.

Mr. J. S. McLean, was recalled and further examined.

Witness discharged.

Mr. Arthur F. White, of the Dominion Securities Corporation, Limited, Toronto, was called, sworn and examined. He filed,—

Exhibit No. 208.—Photographed copy of letter by the Dominion Securities Corporation Limited, dated May 12, 1928, to shareholders of P. Burns & Co., Ltd.

Witness retired.

The Committee adjourned at 6 o'clock until Monday, June 4, at 11 a.m.

R. ARSENAULT,

*Clerk of the Committee.*

HOUSE OF COMMONS, ROOM 368,

MONDAY, June 4, 1934.

The Special Committee appointed to inquire into Price Spreads and Mass Buying met at 11 a.m., the Chairman, Hon. Mr. Stevens, presiding.

*Members present:* Messrs. Stevens, Bell (*St. John-Albert*), Edwards, Ilsley, Kennedy (*Peace River*), Kennedy (*Winnipeg South Centre*), and Senn.

In attendance, Mr. Norman Sommerville, K.C., Counsel to the Committee, and Mr. W. W. Parry, K.C., Assistant Counsel.

The minutes of the last meeting were approved.

Mr. A. F. White, Dominion Securities Corporation, Ltd., Toronto, was recalled and further examined.

Mr. J. F. Lash, Toronto, Solicitor for Dominion Securities Corporation, Limited, was also called, sworn and examined with Mr. White.

During the course of witnesses' examination, Counsel filed,—

Exhibit No. 209.—Burns & Company, Limited, Annual Reports 1928 to 1933, inclusive.

Mr. White filed,—

Exhibit No. 210.—Copy of prospectus *re* offering of \$6,900,000 Burns & Co., Ltd., 6 per cent cumulative preferred shares by Dominion Securities Corporation Limited.

Exhibit No. 211.—Copy of prospectus *re* offering by the Dominion Securities Corporation, Ltd., of \$7,000,000 Burns & Co., Ltd., first mortgage sinking fund 5½ per cent twenty-year bonds.

Witnesses discharged.

The Committee adjourned until 3.30 this day.

#### AFTERNOON SITTING

The Committee resumed at 3.30 p.m.

Mr. A. J. Wilkinson, Windsor, Ont., Chairman of Council of The Canadian Pharmaceutical Association, and Mr. R. P. Sparks, Ottawa, were called together, sworn and examined.

Mr. Sparks filed,—

Exhibit No. 212.—Series of advertisements by various firms handling pharmaceutical products throughout Canada.

Witnesses discharged.

The Committee adjourned until to-morrow at 11 a.m.

R. ARSENAULT,

*Clerk of the Committee.*



HOUSE OF COMMONS, ROOM 368,

TUESDAY, June 5, 1934.

The Special Committee appointed to inquire into Price Spreads and Mass Buying met at 11 a.m., the Chairman, Hon. Mr. Stevens, presiding.

*\*Members present:* Messrs. Stevens, Baribeau, Bell (*St. John-Albert*), Boulanger, Edwards, Kennedy (*Peace River*), Kennedy (*Winnipeg South Centre*), Senn, and Young.

In attendance, Mr. Norman Sommerville, K.C., Counsel to the Committee, and Mr. W. W. Parry, K.C., Assistant Counsel.

The minutes of the last meeting were approved.

The Committee took into consideration the auditors' reports on Department Stores.

Mr. A. E. Nash and Mr. J. G. Glassco, of Clarkson, Gordon, Dilworth, Guilfoyle & Nash, Accountants and Auditors, Toronto, were called together, sworn and examined.

Mr. Nash filed,—

Exhibit No. 213.—Auditors' report on Woodward Stores, Ltd., Vancouver.

Witnesses retired.

The Committee adjourned at 12.50 until 3.30 this day.

#### AFTERNOON SITTING

The Committee resumed at 3.30 p.m.

Messrs. Nash and Glassco were recalled and further examined.

Mr. Nash filed,—

Exhibit No. 214.—Auditors' report on David Spencer Ltd., Vancouver.

Exhibit No. 215.—Auditors' report on Army and Navy Department stores; A. J. Freiman, Ltd.; Jas. A. Ogilvy's Ltd.; Dupuis Frères Limitée.

Exhibit No. 216.—Advertisements by Department stores featuring sales of bankrupt stocks.

Exhibit No. 217.—Mid-winter catalogue, 1934, of Army and Navy Mail Order Department Store, Regina.

Exhibit No. 217A.—Fall and winter catalogue, 1933, of Army and Navy Mail Order Department Store, Regina.

Exhibit No. 218.—Advertisements by Army and Navy Department store and Saskatchewan Wholesale Corporation, Reg'd.

Mr. F. M. Johnston, Investigator for the Committee was called, sworn and examined concurrently with Messrs. Nash and Glassco.

Witnesses retired, and the Committee adjourned until to-morrow at 11 a.m.

R. ARSENAULT,

*Clerk of the Committee.*

HOUSE OF COMMONS, ROOM 368,

WEDNESDAY, June 6, 1934.

The Special Committee on Price Spreads and Mass Buying met at 11 a.m., the Chairman, Hon. Mr. Stevens, presiding.

*Members present:* Messrs. Stevens, Baribeau, Bell (*St. John-Albert*), Boulanger, Edwards, Factor, Ilsley, Kennedy (*Peace River*), Kennedy (*Winnipeg South Centre*), Senn, and Young.

In attendance, Mr. Norman Sommerville, K.C., Counsel to the Committee, and Mr. W. W. Parry, K.C., Assistant Counsel.

The minutes of the last meeting were approved.

On motion of Mr. Kennedy (*Winnipeg South Centre*),—

*Ordered*,—That the appointment of Eric Richardson & Graves, Calgary, as accountants to investigate the accounts of Burns & Co., Ltd., be ratified, and that their fees and expenses in connection therewith be paid.

Mr. A. E. Nash, of Clarkson, Gordon, Dilworth, Guilfoyle & Nash, was recalled and further examined. He filed,—

Exhibit No. 217A (part of).—Statement giving examples of merchandising as taken from invoices and records of Army and Navy Department stores, Regina.

Witness retired.

Mr. George Adamson, Accountant, of Clarkson, Gordon, Dilworth, Guilfoyle & Nash, Toronto, was called, sworn and examined. He filed,—

Exhibit No. 219.—Auditors' report *re* Robert Simpson Company, Ltd., and Subsidiary Companies.

Witness retired.

The Committee adjourned at 1 o'clock until 3.30 this day.

#### AFTERNOON SITTING

The Committee resumed at 3.30 p.m.

Mr. Adamson was recalled and further examined.

Witness retired.

The Committee adjourned at 6 o'clock until to-morrow at 11 a.m.

R. ARSENAULT,

*Clerk of the Committee.*

HOUSE OF COMMONS, ROOM 368,

THURSDAY, June 7, 1934.

The Special Committee appointed to enquire into Price Spreads and Mass Buying met at 11 a.m., the Chairman, Hon. Mr. Stevens presiding.

*Members present:* Messrs. Stevens, Baribeau, Bell (*St. John-Albert*), Boulanger, Edwards, Factor, Ilsley, Kennedy (*Peace River*), Kennedy (*Winnipeg South Centre*), Senn and Young.

In attendance, Mr. Norman Sommerville, K.C., Counsel to the Committee and Mr. W. W. Parry, K.C., Assistant counsel.

The minutes of the last meeting were approved.

Mr. George Adamson, Accountant, of Clarkson, Gordon, Dilworth, Guilfoyle and Nash, Toronto, was recalled and further examined.

Mr. F. M. Johnston, investigator for the Committee, Toronto, was also recalled and further examined with Mr. Adamson.

Witnesses retired.

The Committee adjourned until 3.30 this day.

## AFTERNOON SITTING

The Committee resumed at 3.30 p.m.

Mr. George Adamson was recalled and further examined. He filed:—

Exhibit No. 220.—Photostatic copies of advertisements by Robert Simpson Co. Ltd., as follows: October 31, 1933, featuring overcoats at \$25; February 7, 1933, featuring tailored to measure suits at \$16.50; and June 15, 1933, featuring Biltmore shoes at \$5.95.

Witness retired.

The Committee adjourned until to-morrow at 11 a.m.

R. ARSENAULT,

*Clerk of the Committee.*

HOUSE OF COMMONS, ROOM 368,

FRIDAY, June 8, 1934

The Special Committee appointed to enquire into Price Spreads and Mass Buying met at 11 a.m., the Chairman, Hon. Mr. Stevens, presiding.

*Members present:* Messrs. Stevens, Baribeau, Bell (*St. John-Albert*), Boulanger, Edwards, Factor, Ilsley, Kennedy (*Peace River*), Kennedy (*Winnipeg South Centre*), Young.

In attendance, Mr. Norman Sommerville, K.C., Counsel to the Committee, and Mr. W. W. Parry, K.C., Assistant Counsel.

The minutes of the last meeting were approved.



Mr. George Adamson, of Clarkson, Gordon, Dilworth, Guilfoyle & Nash, Accountants and Auditors, Toronto, was recalled and further examined.

Witness stood aside.

Mr. J. G. Glassco was recalled and further examined.

Witness retired.

Mr. Adamson was recalled and further examined.

Witness retired.

The Committee adjourned at 12.50 until 3.30 this day.

#### AFTERNOON SITTING

The Committee resumed at 3.30 p.m.

Counsel filed,—

Exhibit No. 120 (part of).—Photostat copy of invoice dated Sept. 21, 1933, for men's overcoats purchased at \$7.75 each by Robert Simpson Company Ltd. (Referred to in yesterday's record of proceedings.)

Mr. Adamson was recalled and further examined.

Witness retired.

The Committee adjourned at 6.15 until Monday, June 11, at 11 a.m.

R. ARSENAULT,

*Clerk of the Committee.*

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HOUSE OF COMMONS, ROOM 368,

MONDAY, June 11, 1934.

The Special Committee appointed to inquire into Price Spreads and Mass Buying met at 11 a.m., the Chairman, Hon. Mr. Stevens, presiding.

*Members present:* Messrs. Stevens, Bell (*St. John-Albert*), Boulanger, Factor, Ilsley, Kennedy (*Peace River*), Kennedy (*Winnipeg South Centre*), Young.

In attendance, Mr. Norman Sommerville, K.C., Counsel to the Committee, and Mr. W. W. Parry, K.C., Assistant Counsel.

The minutes of the last meeting were approved.

Representatives of Clarkson, Gordon, Dilworth, Guilfoyle & Nash, Accountants and Auditors, Toronto, were in attendance and the Committee proceeded to receive their report on the T. Eaton Co., Ltd., and its subsidiary and affiliated companies.

Mr. W. L. Gordon was called, sworn and examined.

Witness filed,—

Exhibit No. 221.—Auditors' report *re* T. Eaton Company, Limited.

Witness retired.

The Committee adjourned at 12.55 until 3.30 this day.

## AFTERNOON SITTING

The Committee resumed at 3.30 p.m.

Mr. Gordon was recalled and further examined.

Witness retired.

The Committee adjourned until 11 a.m., to-morrow.

R. ARSENAULT,  
*Clerk of the Committee.*

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HOUSE OF COMMONS, ROOM 368,

TUESDAY, June 12, 1934.

The Special Committee appointed to inquire into Price Spreads and Mass Buying met at 11 a.m., the Chairman, Hon. Mr. Stevens, presiding.

*Members present:* Messrs. Stevens, Baribeau, Bell (*St. John-Albert*), Boulanger, Factor, Ilsley, Kennedy (*Peace River*), Kennedy (*Winnipeg South Centre*), Young.

In attendance, Mr. Norman Sommerville, K.C., Counsel to the Committee, and Mr. W. W. Parry, K.C., Assistant Counsel.

The minutes of the last meeting were approved.

Representatives of Clarkson, Gordon, Dilworth, Guilfoyle & Nash, Accountants and Auditors, Toronto, were still in attendance, Mr. A. E. Nash and Mr. W. L. Gordon being recalled together and further examined.

Witnesses retired.

Mr. F. M. Johnston, investigator for the Committee, was recalled and further examined. He filed,—

Exhibit No. 222.—Copy of T. Eaton Co., Ltd., advertisement featuring *Madras muslin*, from *The Mail and Empire*, Toronto, January 10, 1934.

Witness also filed photostat copies of Exhibits Nos. 77 and 78 referred to him for investigation. These were ordered filed as part of the original exhibits 77 and 78.

Witness retired.

The Committee adjourned at 12.55 until 3.30 this day.

## AFTERNOON SITTING

The Committee resumed at 3.30 p.m.

Mr. W. L. Gordon was recalled and further examined.

Witness retired.

Mr. A. E. Nash was recalled and further examined.

Witness retired.

The Committee adjourned until to-morrow at 11 a.m.

R. ARSENAULT,  
*Clerk of the Committee.*

HOUSE OF COMMONS, ROOM 368,

WEDNESDAY, June 13, 1934.

The Special Committee appointed to inquire into Price Spreads and Mass Buying met at 11 a.m., the Chairman, Hon. Mr. Stevens, presiding.

*Members present:* Messrs. Stevens, Baribeau, Bell (*St. John-Albert*), Boulanger, Factor, Ilsley, Kennedy (*Winnipeg South Centre*), Kennedy (*Peace River*), Young.

In attendance, Mr. Norman Sommerville, K.C., Counsel to the Committee.

The minutes of the last meeting were approved.

Representatives of Clarkson, Gordon, Dilworth, Guilfoyle & Nash, Accountants and Auditors in attendance, Mr. A. E. Nash being recalled and further examined together with Mr. G. G. Richardson who was called and sworn.

Witnesses retired.

The Committee adjourned until 3.30 this day.

## AFTERNOON SITTING

The Committee resumed at 3.30 p.m.

Messrs. Nash and Richardson were recalled and further examined.

Mr. Nash filed,—

Exhibit No. 8 (part of).—Summary of Orders passed by the Ontario Minimum Wage Board.

Witnesses retired.

The Committee adjourned at 6 o'clock until to-morrow, at 11 a.m.

R. ARSENAULT,

*Clerk of the Committee.*

HOUSE OF COMMONS, ROOM 368,

THURSDAY, June 14, 1934.

The Special Committee appointed to inquire into Price Spreads and Mass Buying met at 11 a.m., the Chairman, Hon. Mr. Stevens, presiding.

*Members present:* Messrs. Stevens, Baribeau, Bell (*St. John-Albert*), Boulanger, Factor, Ilsley, Kennedy (*Peace River*), Kennedy (*Winnipeg South Centre*), Young.

In attendance, Mr. Norman Sommerville, K.C., Counsel to the Committee.

The minutes of the last meeting were approved.



Representatives of Clarkson, Gordon, Dilworth, Guilfoyle & Nash in attendance, Messrs. A. E. Nash, G. G. Richardson, and W. L. Gordon being recalled and further examined.

Witnesses retired.

The Committee adjourned at 1 o'clock until 3.30 this day.

#### AFTERNOON SITTING

The Committee resumed at 3.30 p.m.

Messrs. Nash, Richardson and Gordon were recalled and further examined.

The Committee adjourned at 5.55 until to-morrow, at 11 a.m.

R. ARSENAULT,  
*Clerk of the Committee.*

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HOUSE OF COMMONS, ROOM 368,  
FRIDAY, June 15, 1934.

The Special Committee appointed to inquire into Price Spreads and Mass Buying met at 11 a.m., the Chairman, Hon. Mr. Stevens presiding.

*Members present:* Messrs. Stevens, Bell (*St. John-Albert*), Ilsley, Kennedy (*Peace River*), Kennedy (*Winnipeg South Centre*), Young.

In attendance, Mr. Norman Sommerville, K.C., Counsel to the Committee.

The minutes of the last meeting were approved.

Representatives of Clarkson, Gordon, Dilworth, Guilfoyle & Nash, Auditors and Accountants, again in attendance.

Mr. W. L. Gordon was recalled and further examined. He filed,—

Exhibit No. 221 (part of).—Schedules on wages, mail order business, price spreads etc., *re* The T. Eaton Co. Ltd.

Witness retired.

The Committee adjourned at 12.50 until Tuesday, June 19, at 11 a.m.

R. ARSENAULT,  
*Clerk of the Committee.*

HOUSE OF COMMONS, ROOM 368,

TUESDAY, June 19, 1934.

The Special Committee appointed to inquire into Price Spreads and Mass Buying met at 11 a.m., the Chairman, Hon. Mr. Stevens, presiding.

*Members present:* Messrs. Stevens, Baribeau, Bell (*St. John-Albert*), Boulanger, Ilsley, Kennedy (*Peace River*), Kennedy (*Winnipeg South Centre*), Young.

In attendance, Mr. Norman Sommerville, K.C., Counsel to the Committee, and Mr. W. W. Parry, K.C., Assistant Counsel.

The minutes of the last meeting were approved.

The Clerk filed,—

Exhibit No. 8 (part of).—Copy of the Ontario Minimum Wage Act, R.S.O. 1927, as amended in 1929, 1932, 1933, and 1934, together with Regulations.

On motion of Mr. Kennedy (*Winnipeg South Centre*),—

*Ordered*,—That Mr. Sylvester Robbins, of New Toronto, who attended as a witness for three days, from May 8 to May 10, inclusive, and who was paid for only two days, be paid \$10 additional to what he has already received.

On motion of Mr. Kennedy (*Winnipeg South Centre*),—

*Ordered*,—That expenses incurred by T. C. V. Champion, with respect to investigational work for this Committee, be ratified, and that the accounts submitted by the National Research Council for expenses so incurred be paid.

Messrs. A. E. Nash and W. L. Gordon, of Clarkson, Gordon, Dilworth Guilfoyle & Nash, Chartered Accountants, Toronto, were recalled together and further examined.

Mr. Gordon retired.

Mr. Thomas Weir, of the above firm of Accountants, was called, sworn and examined with Mr. Nash. He filed,—

Exhibit No. 223.—Memoranda *re* The Hudson's Bay Company, on (a) organization, financial structure and merchandising policies; (b) on salaries and wages; (c) on purchases in selected departments and price spreads; together with schedules referred to therein.

Exhibit No. 224.—Map of the Dominion of Canada, showing the establishments and transport routes of The Hudson's Bay Co.

Witnesses retired.

The Committee adjourned until 3.30 this day.

#### AFTERNOON SITTING

The Committee resumed at 3.30 p.m.

Messrs. Nash and Weir were recalled and further examined.

Witnesses retired.

The Committee adjourned at 6 o'clock until to-morrow, at 11 a.m.

R. ARSENAULT,

*Clerk of the Committee.*

HOUSE OF COMMONS, ROOM 368,

WEDNESDAY, June 20, 1934.

The Special Committee appointed to inquire into Price Spreads and Mass Buying met at 11 a.m., the Chairman, Hon. Mr. Stevens, presiding.

*Members present:* Messrs. Stevens, Baribeau, Boulanger, Edwards, Factor, Ilsley, Kennedy (*Peace River*), Kennedy (*Winnipeg South Centre*), Senn, and Young.

In attendance, Mr. Norman Sommerville, K.C., Counsel to the Committee, and Mr. W. W. Parry, K.C., Assistant Counsel.

The minutes of the last meeting were approved.

Representatives of Clarkson, Gordon, Dilworth, Guilfoyle & Nash in attendance, Mr. A. E. Nash being recalled and further examined with Mr. S. H. Dobell, who was called, sworn and examined.

Mr. Nash filed,—

Exhibit No. 225.—Original report of Creak, Cushing & Hodgson, Chartered Accountants, Montreal, *re* Henry Morgan & Co., Ltd., as submitted by Mr. Glassco.

Witnesses retired.

The Committee adjourned at 12.55 until 3.30 this day.

#### AFTERNOON SITTING

The Committee resumed at 3.30 p.m.

Mr. J. G. Glassco, of Clarkson, Gordon, Dilworth, Guilfoyle & Nash, and Mr. A. E. Nash were recalled and further examined.

Witnesses stood aside.

Mr. T. V. Hurson, Investigator for the Committee, was called, sworn and examined.

Witness retired.

Mr. Glassco was recalled and further examined.

Witness retired.

The Committee adjourned at 5.50 until to-morrow, at 11 a.m.

R. ARSENAULT,

*Clerk of the Committee.*

HOUSE OF COMMONS, ROOM 368,

THURSDAY, June 21, 1934.

The Special Committee appointed to inquire into Price Spreads and Mass Buying met at 11 a.m., the Chairman, Hon. Mr. Stevens, presiding.

*Members present:* Messrs. Stevens, Baribeau, Bell (*St. John-Albert*), Boulanger, Edwards, Factor, Kennedy (*Peace River*), Kennedy (*Winnipeg South Centre*), Senn, and Young.



In attendance, Mr. Norman Sommerville, K.C., Counsel to the Committee, and Mr. W. W. Parry, K.C., Assistant Counsel.

The minutes of the last meeting were approved.

Mr. J. G. Glassco, of Clarkson, Gordon, Dilworth, Guilfoyle & Nash, Chartered Accountants, Toronto, was recalled and further examined.

Witness retired.

The Committee adjourned until 3.30 this day.

#### AFTERNOON SITTING

The Committee resumed at 3.30 p.m.

Mr. Glassco was recalled and further examined.

Witness retired.

The Committee adjourned until to-morrow, at 10.30 a.m.

R. ARSENAULT,  
*Clerk of the Committee*

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HOUSE OF COMMONS, ROOM 368,

FRIDAY, June 22, 1934.

The Special Committee appointed to inquire into Price Spreads and Mass Buying met at 10.30 a.m., the Chairman, Hon. Mr. Stevens, presiding.

*Members present:* Messrs. Stevens, Baribeau, Bell (*St. John-Albert*), Boulanger, Edwards, Factor, Kennedy (*Peace River*), Kennedy (*Winnipeg South Centre*), Senn, and Young.

In attendance, Mr. Norman Sommerville, K.C., Counsel to the Committee, and Mr. W. W. Parry, Assistant Counsel.

The minutes of the last meeting were approved.

On motion of Mr. Edwards,—

*Resolved*,—That the appointment of Mr. F. R. Gregory, Leamington, Ont., as special investigator in connection with the tobacco inquiry conducted by this Committee be ratified, and that the expenses incurred by Mr. Gregory, amounting to \$25.70, be paid.

Mr. J. G. Glassco, of Clarkson, Gordon, Dilworth, Guilfoyle & Nash, Chartered Accountants, Toronto, was recalled and further examined. He filed,—

Exhibit No. 226.—Auditors' report on shoe companies (Referred to in Nos. 56 and 57 of printed record).

Exhibit No. 227.—Auditors' report on manufacturers of men's clothing (Referred to in No. 57 of printed record).

Exhibit No. 228.—Auditors' report on Company manufacturing overalls and work-shirts (Referred to in No. 57 of printed record).

Exhibit No. 229.—Report and exhibits on investigation by Auditors of Winnipeg clothing manufacturers.

Witness retired.

Mr. T. V. Hurson, Investigator for the Committee, was recalled and further examined.

Witness discharged.

Mr. R. P. Sparks, Ottawa, who gave evidence on June 4 and was then discharged, was recalled, sworn and further examined.

Witness discharged.

The Committee adjourned at 12.50 until 4 o'clock this day.

#### AFTERNOON SITTING

The Committee resumed at 4 p.m.

Mr. A. E. Nash, of Clarkson, Gordon, Dilworth, Guilfoyle & Nash, Chartered Accountants, Toronto, was recalled and further examined. He filed a number of statements which were ordered printed into this day's record.

Witness retired.

Mr. L. W. Fraser, Investigator for the Committee, Halifax, N.S., was called, sworn and examined. He filed,—

Exhibit No. 231.—Record of views expressed by fishermen and others through interviews with Mr. Fraser.

Witness retired.

Mr. C. V. Fessendon, Investigator for the Committee, Kitchener, Ont., was called, sworn and examined. He filed,—

Exhibit No. 230.—A summary of particular purchases of furniture by Department stores, showing cost and profit to manufacturer.

Witness retired.

The Committee adjourned at 6 o'clock, to meet in executive session on Monday, June 25, 1934.

R. ARSENAULT,  
*Clerk of the Committee.*

HOUSE OF COMMONS, ROOM 496.

THURSDAY, June 28, 1934.

The Special Committee appointed to enquire into Price Spreads and Mass Buying met *in camera* at 5 p.m., the Chairman, Hon. Mr. Stevens, presiding.

*Members present:* Messrs. Stevens, Baribeau, Bell (*St. John-Albert*), Boulanger, Edwards, Factor, Ilsley, Kennedy (*Peace River*), Kennedy (*Winnipeg South Centre*), Senn and Young.

In attendance, Mr. Norman Sommerville, K.C., Counsel to the Committee and Mr. W. W. Parry, K.C., Assistant Counsel.

On motion of Mr. Edwards,—

*Ordered*,—That the evidence given before this Committee on June 14, by Mr. W. L. Gordon, be amended in accordance with Mr. Gordon's letter of the 26th June, addressed to the Clerk of the Committee, viz:—

In the tenth line of page 3446, in answer to a question by Mr. Sommerville, the figure \$750 to be substituted to that of \$750,000, with respect to the advertising allowances received by the Winnipeg Furniture Department of the T. Eaton Co. Ltd., in 1933, making the sentence read as follows:—

Contributions to the advertising of this Department were received from five manufacturers and they totalled \$750 in 1933.

The Chairman presented a draft report for approval.

On motion of Mr. Senn,—

*Resolved*,—That the draft report as submitted by the Chairman be adopted, and that it be presented to the House as the Committee's Third Report.

The Committee adjourned *sine die*.

R. ARSENAULT,  
*Clerk of the Committee.*





## MINUTES OF EVIDENCE

HOUSE OF COMMONS, ROOM 268,

February 22, 1934.

The special committee appointed to inquire into price spreads and mass buying met at 11 a.m., the Hon. H. H. Stevens, presiding.

Mr. Norman Sommerville, K.C., of Toronto, appeared as counsel for the committee.

The CHAIRMAN: Gentlemen, there is a small item of business which I would like to bring to your attention before we proceed in the regular order. Counsel would like to be authorized to arrange to call witnesses in the usual way. That, I think, requires a motion. The motion suggested is that authority be given to the clerk to call any witnesses required by counsel for the committee. Then, if any member of the committee wishes to have a witness called he can make arrangements with counsel for so doing. I think that should work with entire satisfaction. Of course, if there is not entire satisfaction the matter can be brought before the committee if it is so desired.

Mr. FACTOR: That is, if a case arises where counsel thinks that the witness should not be called and the member of the committee thinks that he should, then the member will come to the committee for permission.

The CHAIRMAN: Exactly; if you cannot come to an understanding. I do not anticipate there will be any difficulty.

The CHAIRMAN: Gentlemen, to-day we have asked Dr. Coats, Dominion Statistician, to be here. He has had only a very short time with Dr. Tory, Mr. McGregor and Mr. Hereford to scan over the first part of our order of reference; but Dr. Coats will give to the committee an outline of their preliminary survey. It must, of course, be understood that in the short time which has elapsed this cannot be a very detailed or elaborate outline, but I am quite confident that Dr. Coats will be able to give to you some very useful and interesting advice, and an analysis of the situation. Might I ask that before Dr. Coats starts he should probably take up his position in the room so that members of the press will be able to hear. The press have indicated that they will be unable to hear if Dr. Coats has his back to them.

Mr. FACTOR: Is this room to be our permanent quarters?

The CHAIRMAN: It seems to be the best we can do. I am not very well satisfied with it. I have been after the clerk of the house for better quarters. The banking committee will be sitting on very important business themselves and it is probable that they will take the railway committee room. There is another room upstairs.

Mr. SENN: There is room 429; that is a good room.

The CHAIRMAN: Where is that?

Mr. SENN: It is in the back corridor.

The CHAIRMAN: That is the one I am speaking of. We will have a go at it. I will now call on Dr. Coats.

Dr. R. H. COATS, Dominion Statistician, called.

The WITNESS: Mr. Stevens and honourable gentlemen: it occurred to me in coming before the committee that there were three things I could do in this preliminary hearing; first, I might as a professional statistician and more or less perennial investigator into economic subjects sketch an organization of the subject matter that might fall within the scope of an inquiry of this kind, with a view to the orderly covering of the field; secondly, I might, more particularly give you a broad idea of the kind of materials that are already available in the various government departments, particularly on the specific point of the spread in prices; and thirdly, I might refer very briefly to the Census of Distribution, i.e., of wholesaling and retailing which was taken for the first time in Canada in 1931. The latter is very full of most interesting results, placing wholesaling and retailing activities in their general setting in the social and economic life of the country.

On the first point, namely, the procedure and method of organizing the subject matter falling under the committee, I have prepared a memorandum (Exhibit No. 2, printed at the end of this day's evidence), which perhaps I could leave with the committee for reference—if you consider it of value—in the meantime commenting on some of the points it brings out. I would suggest—again I say as a professional statistician and economic research worker—that the method should be adopted from the outset of proceeding from the particular to the general, if you are not to avoid a considerable dissipation of effort and waste of time. The field is an immense one, and it can only be covered, to my way of thinking, by seeing the forest as well as the trees in it, and by knowing very specifically just where you are at any stage of the inquiry. The terms of the motion itself are both specific and general. The preamble states the general problem, but the four subsections, especially C and D discuss particular trades. It is suggested that the committee begin with the very specific items of C and D which refer respectively to the situation concerning the marketing of live stock and live stock products and to the situation as regards flour milling and baking. The committee might then proceed, perhaps concurrently, but keeping the two phases distinct, to A and B which have to do with a practice rather than a particular trading field, namely, mass buying, and the repercussions of mass buying on conditions of labour and the retail trade generally.

I would like here to suggest that in addition to animal products, and with a view of making the specific inquiries more complete from the standpoint of the terms laid down in the preamble or general objective, that you should add the item of fruits and vegetables in which there is a good deal to be learned as regards marketing processes—from the stage in which the vegetable is grown on until it reaches the consumer in the raw or prepared state.

Fish is, of course, an "animal product". I understand from the discussion in the House on the motion that fish is to be separately investigated. The conditions surrounding fish marketing are so distinct and different from those in livestock products that they merit, perhaps, special mention.

Now, if you proceed in that way by taking up specific marketing fields, I think as the inquiry proceeds various practises, desirable or undesirable as the case may be, will come into view,—such things as "lost leaders", secret rebates, misleading advertising, the opportunities for more standardization, various aspects of cutthroat competition, and so on. In this way we can gradually accumulate a mass of information on these and other practises looking to any remedial action that may be thought necessary. The inquiry would be facilitated if, at as early a date as possible, Mr. Chairman, there was a resumé made of the various materials that have been collected under previous inquiries of one kind or another; and these materials are very considerable and I think very instructive to the committee in certain cases.



If a certain number of specific marketing fields were explored in this way and the conditions concerned were thrown into relief, I think you might then proceed, perhaps concurrently, from the theoretical standpoint with the consideration of broad questions—subjects of a general kind—that you will want to know about before the inquiry is over. I have listed eight or ten of these, and I might read what it seems to me will be thrown to the top from time to time, and on which you might proceed to collect the materials that are available.

First, *sweatshop abuses*, which will lead to a consideration of minimum wage legislation in the several provinces, and perhaps to some phases of factory legislation;

Secondly, *farmers' markets*. The farmers' market is an old device for bringing producer and consumer together, and it is a device that has great utility in preventing price spreads.

The CHAIRMAN: You are referring to the market places in the towns?

The WITNESS: Yes—retailing market places in the towns. That is a device which is worthy of study. The farmers' market in Canada of some years ago had rather fallen out of pace with development elsewhere, largely through lack of appreciation of the importance of transportation facilities and of having markets follow population into the different sections of our large cities, and of having terminal and other facilities provided. In cities like Paris, Budapest, and even Boston the technique of the farmers' markets has been greatly developed, with valuable results.

Then there is the question of the regulation of commission houses in the marketing process. Various states in the United States have promulgated or suggested legislation on this point. Under our own Combines Investigation Act, in connection with the distribution of fruits in western Canada, if I remember rightly, there were in 1925-6 revealed certain abuses in connection with the operations of commission houses.

There is further the general problem of Co-operation. We have developed producers' co-operation to a certain extent in Canada, and we have developed co-operative credit in the province of Quebec to quite a considerable extent; but we have very little representation of consumers' co-operation. Perhaps the intense individualism of the people on this north American continent accounts for this in the main; but there is a lack of facilitating legislation, and even if legislation exists it is necessary to have a Sir Horace Plunkett to draw attention to it.

The fifth subject that will probably come before the committee before the inquiry is ended is standardization and the extent to which improvement in legislation or regulation on this subject is called for.

Further, there is the question of the *Companies Acts*. This is a provincial as well as a dominion matter, but investigation might be made of the degree of latitude that is allowed with regard to, say, capitalization and other phases, in their effect, first, upon the investor in company securities, and, secondly, upon the consumer of company products. The question of more detailed annual reports under our various companies acts will, I feel confident, come up.

Then there is the whole problem of our anti-combine legislation and machinery and its operation—can anything be learned from experience elsewhere under that heading?

Under No. 8 I have noted the question of industrial and trade associations and their operations in Canada. The very interesting part which the American industrial and trade associations are now playing in the organization of trading operations in their respective fields might be reviewed. American "Better business Bureaus," of which we have some examples in Canada, might be worthy of investigation. We might review the United States' licensing system in rela-

tion to traders' and manufacturers' associations, which is by way of a disciplinary control. Then there is the question, and it is a very large question, to what extent we are prepared to make such associations compulsory. The pendulum has swung away from the idea, which was rife some years ago, that any association of manufacturers was a combine and could not exist for beneficent purposes. American opinion, at least, has accepted associations of manufacturers as beneficent.

There is the further big question of the creation of a federal trade commission, i.e., the advisability of some central organization for the continuous observation and regulation of trading practices. We have the Board of Railway Commissioners reviewing railway tariffs, and practices. Of course, trading is a much larger and more amorphous subject.

It is only a few years since we definitely decided to set up a Board of Commerce in Canada, and that board did operate for a number of years. The constitutional aspect of that question would have to be considered.

And finally, in those notes that I have jotted down, I have mentioned the possibility of an advisory economic council. That is a very large subject, and its implications, of course, relate to more than the trading field. As a matter of fact, there is another motion on the order paper for discussion in the House of Commons just now.

These are some of the broader considerations that arise within the field of trading activities. Of course, you could go very far afield in this inquiry if you include all subjects, that have some incidence on trading operations. But keeping within the limits of considerations that apply mainly in the area of distribution, I think it would be well worthwhile to have the available data from a theoretical and practical standpoint collected on those points and made available for the committee. The final recommendations of the committee could then represent a process of evolution, from a series of facts in the prospective fields, and proceeding from these facts to such generalizations and broad remedial recommendations as might suggest themselves.

In the factual investigations I think that the utmost care should be taken throughout to ensure consideration of every important point of view and every important interest which may be involved. Finally, as I said at the outset, it seems very important that the committee should "see the forest as well as the trees" in this programme upon which they are entering, so that at all times they know exactly where they are, and thus produce constructive results. I will leave this memorandum, if it is of any value to you, with the clerk, for reference.

The second phase that I might speak to you about is the general problem of the materials that are already available for the committee's consideration in the various departments, and more particularly materials relating to the spread in prices.

There are some nine groups of commodities under which these data may be listed: first, wheat, flour and bread; second, livestock and animal products; third, dairy products; fourth, fish; fifth, fruits and vegetables; sixth, tobacco; seventh, coal; eight, gasoline; ninth, various manufacturers. I mention tobacco and gasoline because there is quite a lot of material already available on those commodities.

I can tell you in a rough outline, under each of those headings what materials are available from various departments and from various investigations that have been made from time to time. Although I have not got any final data to lay before you on the question of price spreads, I can show you some *interim* materials that are, I think, interesting, and that will indicate to you the sort of materials that are available. For example, under wheat, flour and bread, we have, of course, in the Dominion Bureau of Statistics, a great mass of data on agricultural production and the marketing of agricultural products, and the prices at various stages in the process. There was, in the domain of the marketing of



wheat, a royal commission headed by Sir Josiah Stamp, some two years ago. In the domain of flour and bread, there have been two investigations under the Combines Investigation act, the materials of which are very detailed and voluminous.

On the point of agricultural price spreads, I have here a few tables that I think would be interesting to lay before the committee. They are preliminary only, but they will give you an idea of the sort of thing that is available in this single aspect of prices; and it may point to lines of further inquiry. In proceeding to speak on agricultural prices and the spread as between the producer and consumer of agricultural products and manufactured products derived therefrom, there are two lines of approach. From the *relative* point of view, you can take the prices, say, of wheat, flour and bread over a period of years, and accepting the spread at the beginning of that time as normal, you can show whether the spread has widened or lessened in the meantime. I have taken wheat, flour and bread in 1926 and made the price equal to 100 in that year, and the table shows what has happened since 1926. For example, if we take No. 2 northern Manitoba wheat at Fort William a cash basis in 1926 and place it at 100, in 1933 it was 40.8—

Mr. ILSLEY: I thought you said 100.

The WITNESS: 100 in 1926. We have taken the index number for 1926 as 100. Then, the average price in 1933—

Mr. FACTOR: Are you going to file this table? (Exhibit No. 3).

Mr. SENN: I suggest the table be printed in the report.

The WITNESS: I would not decide that for the moment. We may have a better table. At any rate, you can see what it shows. Wholesale flour, first patents at Montreal, have declined from 100 in 1926 to 57.7 in 1933.

Mr. YOUNG: That was the figure for 1933?

The WITNESS: Yes. The retail price of flour at Toronto has declined from 100 to 52.9. The wholesale prices of bread at Toronto has declined from 100 to 90.1. The retail price of bread in Toronto has declined from 100 to 91.8. I can give you the same figures for Winnipeg. The retail price of flour at Winnipeg has declined from 100 to 53.7, and the wholesale price of bread from 100 to 83.3. The retail price of bread at Winnipeg has declined from 100 to 85.7. That shows what always happens in times of depression or in times of boom. In such times, raw materials gyrate upwards or downwards much more rapidly and violently than manufactured products. Wheat fluctuates much more violently than does a final product like bread. If you observe the fluctuations of wheat you will find that within a single week it may move very violently; in fact, within a single hour. On the other hand, the price of flour will sometimes go for considerable intervals on an even keel, and then again, the price of bread may go weeks and months and even years without change.

Mr. HEAPS: Has your department any figures to show what it costs to produce a pound of bread?

The WITNESS: I would suggest on that subject that you consult the report on the bread baking industry in Canada, which was brought out in 1931 under the Combines Investigation Act. That investigation discussed bread prices very exhaustively, also bread costs, the content of different loaves that were analysed at different points—because a loaf of bread is not always the same—and various questions of that kind. It was quite an exhaustive investigation, I believe Mr. Heaps.

Mr. FACTOR: What year?

The WITNESS: 1931.



The CHAIRMAN: It will be borne in mind that Dr. Coats is submitting this as an illustration of a process of study and not as a part of a finished study on any given subject.

Mr. BOULANGER: May I ask what the reasons were for selecting the year 1926 as the basis of your calculations?

The WITNESS: Well, it is just a few years ago. We can adopt for the committee any year they desire; it does not really matter.

Mr. BOULANGER: I thought you had a special reason.

The WITNESS: The special reason was the lazy reason. All our index numbers are on the 1926 basis, and so we did not have to make an additional calculation.

The CHAIRMAN: It is very widely used. It is the Fisher index in the United States, and the London Economist, I think, takes 1926. A great many bodies that make these indices use 1926 as the base year. There is no special reason for it.

The WITNESS: It is a very good year, as a matter of fact. If you will remember there was depression in 1923-24, and there was a considerable recovery by 1926. It preceded the boom of 1927-28, and of course it preceded the present depression, so that most statisticians still look on the year 1926 as a fairly normal yardstick. I think it is as good as you can get, but if for any reason the committee would be better served by another basis, it is only a matter of clerical labour to do so.

Now, I follow that table of index prices on the 1926 basis, with a table showing the spreads in the actual prices of those same commodities from month to month for the past two years. I have listed the average price per month of No. 2 Manitoba Northern at Fort William, the wholesale price of Manitoba first patent flours at Montreal, the average retail price of flour at Toronto, and so on. It is the same list as that in which I have given the index numbers, so that you can see the actual prices, and the spreads. For example, in 1932, the average price of No. 2 Manitoba Northern wheat f.o.b. was 87—these prices have been reduced to a per pounds basis.

Mr. SOMMERVILLE: .87.

The WITNESS: Yes, .87. The average price per pound of wheat was .87 in 1932; in 1933 the average price per pound was .98. The average price per pound of Manitoba first patent flour in 1932 was 2.46; in 1933 the average price per pound was 2.60. The retail price of flour at Toronto was 2.8 and 2.7 respectively for those years. The average retail price of bread at Toronto was 6.7 and 6.7. These prices are on a per pound basis throughout.

Then, you have the same figures for Winnipeg. The spread, as you will see, is from .98 cents per pound for wheat, to 2.6 cents per pound for Manitoba first patent flours, 2.7 being the retail price for flour at Toronto, and 6.7 for bread at Toronto. These two tables I submit will be interesting to investigate in a preliminary way. They can be amplified materially, if you wish, later.

I have another table here, a table which shifts the scene to hogs and hog products, and is regarded as representative of raw and manufactured commodities in this field. Hog prices first—I refer to the index number: the prices of live bacon hogs at Toronto has gone down between 1926 and 1933, from 100 to 42.5. The wholesale price of pork carcass, shop hogs, at Toronto has gone down from 100 to 43.6. The retail price of fresh pork has gone down from 100 to 50.6. The wholesale price of standard, smoked, light bacon at Toronto has gone down from 100 to 47.9. The retail price of bacon at Toronto has gone down from 100 to 57.0. The retail price of lard at Toronto has gone down from 100 to 50.0. Bacon hogs at Winnipeg, wholesale—it is the same story for Winnipeg in this second table.

*By Mr. Edwards:*

Q. These are fiscal years, are they; 1926 and 1933 are fiscal years?—A. No.

The CHAIRMAN: Calendar years.

The WITNESS: Calendar years.

*By Mr. Senn:*

Q. Is that the average over the year?—A. That is the average over the year. This second table gives for 1932 and 1933 the actual prices from month to month. In 1933 the average wholesale price of bacon hogs per pound at Toronto was 5·66. The wholesale price of pork carcass, shop hogs, per pound at Toronto was 9·0. The average retail price of fresh pork at Toronto per pound was 15·9. The wholesale price of bacon, standard, smoked, light, per pound at Toronto was 15·8. The average retail price of bacon per pound at Toronto was 20·3. The wholesale price of lard, in tierces, per pound was 10·1, and the average retail price of lard at Toronto per pound was 11·8; and similar figures for Winnipeg are quoted.

*By Mr. Young:*

Q. You gave us figures to show that when the price of a raw commodity drops, the price of the manufactured goods lags behind. Can you give us any corresponding figure to show what the lag is when the market is going up?—A. Yes. I have some tables and charts here which I will show you in a moment and which tells the general story of that very feature back to 1913. Before proceeding to that, perhaps I might just finish this aspect.

Q. I would like to have those tables set aside, if possible?—A. I was suggesting that I might give you some sugar figures, and I will then be finished with this phase of the subject?

Q. All right.—A. Take the situation of sugar at Vancouver—

*By Mr. Boulanger:*

Q. You mean cane sugar, do you?—A. Yes, cane sugar.

Q. Beet sugar and maple sugar have nothing to do with it?—A. No.

The CHAIRMAN: It is cane sugar.

The WITNESS: Yes, it is cane sugar. The index numbers comprising 1926 and 1933 in the sugar field, are as follows: raw sugar has declined from 100 in 1926 to 64·2 in 1933. The wholesale price of granulated sugar at Vancouver has declined from 100 to 96·8, and the wholesale price of yellow sugar from 100 to 96·6. The retail price of granulated sugar at Vancouver has declined from 100 to 90·7, and the retail price of yellow sugar at Vancouver has declined from 100 to 95·7. There follows again the specific prices for sugar for the past two years, which shows a spread in 1933 between raw sugar and refined, granulated sugar from 2·54 to 5·73; and between the latter and retail prices again, to 6·8.

The CHAIRMAN: Gentlemen, in regard to these very interesting tables, do you wish them printed? I might point out for the consideration of the committee, that all of this is a summary by way of illustration at the moment. A specific study, must of course, be made on each subject later on. I would like the view of the committee whether these should be printed, or simply filed for the moment as exhibits just at this point.

Mr. FACTOR: I think they should be put on the record.

Mr. EDWARDS: Just multigraphed copies.

Mr. SOMMERVILLE: They are just specimens of the class of study.

Mr. SENN: That is all.



The CHAIRMAN: I want the committee to realize this: they are not analyzed or extended, and must not be accepted as the final word on the subject with which they treat. Is it the opinion of the committee that they should be printed or merely mimeographed?

Mr. EDWARDS: Just mimeographed, I would suggest.

The CHAIRMAN: They are to be mimeographed for study by the members of the committee.

Mr. YOUNG: When Dr. Coats is preparing these for us, would it be possible for him to outline in the same document what the unyielding factors are when prices may have lagged?

The CHAIRMAN: Unquestionably all of that will have to be gone into with care. For instance, one can see a good many questions you would want to ask Dr. Coats on the phenomena that he has here set forth.

Mr. YOUNG: Yes.

The CHAIRMAN: I think it would be wise to leave it until we follow the study systematically. A full opportunity will be given on all that.

The WITNESS: Mr. Young was speaking of the historical view, were you not?

Mr. YOUNG: I want to know what the lag is when the prices go up. You have given us the lag when prices go down.

The WITNESS: Well, I have three charts here which have been made on that point. They are very interesting to look at, because they go back to 1913, for a large class of commodities. I think they might be passed around, perhaps; I am sorry I had not time to have them reproduced.

The CHAIRMAN: We will reproduce them and attach them.

The WITNESS: I will reproduce these and submit them.

For example, here is a chart that shows trends in farm products at wholesale, and on the farm; producers' goods, that is, various goods that are used by manufacturers and other producers as raw materials as well as capital goods; consumers' goods, by which we mean foods and clothing and the sort of thing that we individually buy in their final form for personal consumption; and finally retail price in general. There four groups are charted in this diagram from the year 1913 to the year 1933, showing just the way in which they have behaved from year to year.

From 1929 down, they have all fallen. The chief fall has been in farm products, just as the chief rise in the last year has been in farm products. Farm products have fallen fastest and turned around quickest. They fell from a point in 1929 that was higher than the others. Consumers' retail prices have dropped the least; consumers' goods the next least and producers' goods the next. That is the story for the last five years. You can see just how these different classes have been hit in varying degrees. The great calamity that is represented by changes in the price level is in the dislocation that always happens, dislocation of the purchasing power as between different economic groups. If prices would only either stay still, or all go up or all fall simultaneously they would be like people in an elevator; relatively to each other they would not change. The trouble is in the dislocation that happens. Raw materials and farm products commonly attain greater heights in time of boom but greater depths in time of depression; as to retail prices, the further you get from raw materials the more equilibrium you usually find in the price level. As I was saying a few moments ago, while wheat may go all over the lot within a week it is very seldom that there is a change in the price of bread—it goes on for months, even for years without a change.

The CHAIRMAN: We will file these charts with the others, and have them mimeographed.



The WITNESS: I can put these in shape, so that they can be passed around.

I might, as an illustration of the kind of materials that the committee can draw upon, refer to a docket I have here on fish products. In the first place, there is an annual report on the fisheries which sets out in great detail what our fisheries production is. Fishing, of course, is one of our great historic industries; our present fishing grounds—both salt and fresh water—are perhaps the most extensive in the world. I do not think they yield precedence to any except possibly those of the North Sea. Lobstering and salmon canning in Canada are two of the greatest industries of their kind anywhere. Yet it is a fact that the trade in products derived from this great natural resource has been always beset with considerable difficulties.

For the study of the fishing situation, there is an annual report of the catch in great detail, a report of the pack of the canneries in great detail, and a report on the import and export trade in great detail. On the subject of prices we have a good deal of information. For example, take fresh haddock: the prices I am going to mention are very hastily put together and I would not vouch that they are strictly accurate, but I think they are within measurable distance of accuracy. For fresh haddock the fisherman in Nova Scotia receives, let us say, one and a half cents a pound. He sells the fresh product largely to companies—fish companies operating on the coast. They sell the haddock fresh at, say three and a quarter cents a pound. Sometimes they sell to the wholesaler at inland points like Montreal; sometimes they sell direct to large retailers in the interior cities. The wholesale price at Montreal is naturally higher, and finally the retailer in Ottawa gets from twelve to fourteen cents, say, for fresh haddock, or perhaps as high as twenty cents for haddock fillets, or some choice bit of the fish. That is a large spread, of course, perhaps eight or ten times between the producer and the consumer. But that spread has been officially investigated in all sorts of detail on at least three occasions within the last few years. There was a parliamentary committee in 1916 which collected voluminous evidence and published it in a report of the same session. In 1926-27, and this is coming within measurable distance, there was a royal commission of which Mr. Justice Maclean was Chairman, which investigated the fisheries of the maritime provinces and issued a report of which I have a copy here, dealing very extensively with the marketing process, going into the question of prices I am speaking of, and allocating the costs of handling, icing, refrigeration and so forth in great detail,—delivery charges, distributors' profits, all that sort of thing. This was laid bare in a report which is only six or seven years old. More recently, in 1932—which is only two years ago—there was a report on the marketing of Canadian fish and fish products made for Hon. Mr. Rhodes, then minister of fisheries, by Cockfield, Brown and Company. Their investigation, I believe, was prolonged and very thorough, and very voluminous in final results. The complete report has not been published but a digest of it has been issued and it runs to some eighty or ninety pages. It sets forth in the final chapters 160 conclusions as to facts, and 12 or 15 conclusions and recommendations based on the interpretation of those facts. Those conclusions and interpretations cover very thoroughly the problem that is involved in the marketing of fish products, both fresh and cured. Needless to say, the Department of Fisheries has been very closely in touch with all these operations and investigations, and I am not the person that should be speaking to you about them. The Deputy Minister of Fisheries, Mr. Found, has the whole matter at his finger ends and could place it before the committee very satisfactorily, I am sure.

A few years ago in the fishing trade, I understand that the great difficulty was at the retailing end of the process, methods of handling fish products, and methods of proper display; methods of refrigeration and of keeping the fish fresh, and so on. The Department of Fisheries, years ago, began an educational campaign on that point, and it has been very successful. It has without doubt,

in the last few years alone, tremendously improved the retailing end, in having the fish reach the consumer in better shape. The fish trade has a distinct technique, and it suffered in the old days from the fact that it was not considered as requiring a special technique. Consumption, in consequence has improved; one evidence is that small "fish and chips shops" are growing up in Canadian cities, a thing we never had until the last few years, as far as I know. The main difficulty in this field appears to lie, at the present moment, in the wholesaling end, with the methods of fish buyers on the coast, amongst whom competition is extremely keen, leading at times to cutthroat methods. These methods are visited back, so it is said, on the fishermen on the one hand, and they also exercise, sometimes, a demoralizing influence on the wholesale market. The regulation of a feature like that, of course, is a provincial concern. One of the difficulties is that the fresh fish trade is only a limited part of the total fish trade, and it is accordingly harder to regulate. What I was just saying applies to the Atlantic coast, but I understand there is something of the same situation in the export dry fish trade on the Pacific coast, where competition and price cutting amongst the shippers sometimes reaches a point where there is nothing in the way of a profit either for the fisherman who catches the fish or the wholesaler who processes them and markets them. As I said a moment ago, on all such points as that, the committee, I am sure, would find a wealth of information in the Department of Fisheries and I am merely mentioning the subject as instancing the kind of materials that are available already for the committee.

I do not know, Mr. Stevens, that there is anything more I have to say. I could exemplify what is available in a number of other fields, but I do not know that that is necessary; I could do that as well by letter or by memo to the secretary of the committee.

Mr. FACTOR: What about the census taken by your division in 1931; will you file it?

The WITNESS: That is perhaps the concluding thing I have to say. This census was a very exhaustive one. It was the first investigation of the kind that was ever carried out in Canada. We had a quasi census of the kind in 1923, but we had to stop before completing it, and its results were so partial that we have never said very much about it. But the census of merchandising and service establishments which we took in 1931 is an exhaustive one, and has many most illuminating figures as to the economic importance of distribution amongst the other broad economic interests of the country.

I have a brief memo here which will illustrate some of the phases on which it throws light. The compilation is now in the final stage in the bureau of statistics and in a very few weeks' time we will have practically all details at our disposal. I suggest that in two or three weeks' time it might interest the committee if the chief immediately in charge of that census could come before you. In a census of this kind there are numerous points of view of great importance and interest that the committee should have before them. For example, it is interesting to note that the sum total of the retail turnover in 1931 reached \$2,805,000,000. Now, the sales of sectional or national chain stores made up \$530,753,000 of that total; that is 18.9 per cent. Turning to departmental stores, which are not included in chain stores, and including those that do a business of a million dollars a year and over each, their turnover was \$284,102,000, or 10 per cent of the total merchandising done in Canada. The business of all large central organizations formed 29 per cent of the total retail business of Canada.

The importance of large scale buying again is revealed more clearly in certain other figures. For example, the proportion of chain store business among grocery stores, grocery and meat stores, shoe stores and ready-to-wear stores in



Canada is as follows: In groceries, 21·67 per cent; in grocery and meat stores, (that is combined stores) 34·24 per cent; in shoe stores, 18·29 per cent; and in women's ready-to-wear, 13·56 per cent.

Mr. SOMMERVILLE: That is, 34 per cent and 21 per cent together represents chains handling either groceries or groceries and meats; over 55 per cent of the entire purchasing of groceries and meats was through chains, either single or combination stores.

Mr. YOUNG: No, that would not follow at all, would it?

The CHAIRMAN: What is that? Will you explain just what these percentages are?

The WITNESS: These percentages are the percentages in each branch of the total that is done by the chain stores in each branch.

Mr. YOUNG: You mean, in a particular branch.

The WITNESS: For instance, in grocery stores alone (not combination stores, just grocery stores alone) chain stores do 21 per cent of the total business; in the combination grocery and meat stores they do 34 per cent.

The CHAIRMAN: Is that percentage the percentage of the total business done in Canada, or the 18 per cent of the business done by chain stores.

The WITNESS: Of the total business done in Canada. Of the total turnover of grocery stores in Canada 21 per cent represents the turnover in chain stores.

Mr. KENNEDY (Winnipeg): Is it grocery stores, or is it grocery and meat stores? The percentage I am trying to get at is whether one of these figures includes the other, or whether each is mutually inclusive.

The WITNESS: I don't know that I follow you.

Mr. KENNEDY (Winnipeg): The 34 per cent includes the 21 per cent, as I understand it.

The WITNESS: No. These are to be taken singly.

Mr. KENNEDY (Winnipeg): Well then, have you a figure which expresses the total?

The WITNESS: No, but I would suppose it would be somewhere between 21 per cent and 34 per cent. I can get you that, I simply have not stipulated it here.

Mr. SENN: Would one gather from that, Dr. Coats, that these chain stores have a larger proportion of the trade than other stores have?

The WITNESS: No, I don't think you could draw that direct inference. The figure is simply that if you take all the stores in this country that are handling groceries alone and take their turnover, 21 per cent of that turnover is done by chain stores handling groceries alone. If you take grocery stores that also handle meats, then the total turnover of the country is so and so, and of that total turnover 34 per cent is handled by the chain stores.

Mr. FACTOR: But that is combining groceries and meat?

The WITNESS: If you would like me to combine these figures I can do so, but I can't do it now.

Mr. SOMMERVILLE: As I understand the matter this is simply an illustration, let us say, and this will be developed to the full as occasion arises.

The WITNESS: Yes, on any feature that you may care to instance.

It is very interesting to follow some of the results of our census by provinces, because quite different situations exist in the different provinces. In the province of Ontario the concentration of trade has reached the stage where chain stores and large departmental stores did 28 per cent of the entire business of the province in 1930. For the province as a whole the chain stores alone did 17·56



per cent; while in cities of from 10,000 to 30,000 population the business handled by chain stores amounted to 22·78 per cent of the total sales. If you wish the position of chain stores in the retail field might be illustrated in detail. Chain stores in Ontario in the grocery field did 36·78 per cent; in the combined grocery and meat field 39·59 per cent; and variety stores (five cent, ten cent, up to a dollar), 95·8 per cent.

Mr. FACTOR: What did you say the variety store consists of?

The WITNESS: The five cent, ten cent and up to one dollar stores.

Mr. FACTOR: And there are some chain stores that deal almost exclusively in shoes?

The WITNESS: Yes. Information is available from our census to show the sales of all commodities for the leading kinds of stores. Take the sale of furniture, the proportion of business in Ontario for 1930 between department stores and furniture stores was as follows; the departmental stores did \$9,701,000 worth of business, whilst the furniture stores did \$8,621,000. The sales of chain furniture stores were approximately \$1,900,000.

I could illustrate this by similar figures for the operation of any line of business. The sales of shoes as between department stores and shoe stores were: department stores over \$10,000,000; shoe stores, nearly \$16,000,000.

In Quebec, the figures are different in their incidence; sales of furniture were \$3,406,000 by department stores, and \$6,797,000 by furniture stores. I think that an all-round picture of the salient results of this census would be very suggestive to the committee, either presented as a whole or otherwise; in any event it may be valuable for the committee to know that there is a fund of information of that kind that they can draw upon as their inquiry proceeds. It may be important for you to know at a certain stage just what is the general situation regarding this, that, or the other feature under particular investigation. The purpose of the trading census is to throw such situations into relief so that you will know, the relative status of any particular phenomenon that you are investigating.

Mr. BOULANGER: You mentioned various subjects about which there is information available in the departments, coal, and among others, you mentioned tobacco and gasoline; could you give us an idea about the information which is available on these subjects.

The WITNESS: I mentioned tobacco and gasoline because there had been special investigations in connection with these subjects.

Mr. BOULANGER: What information is there available, for instance, with respect to tobacco?

The WITNESS: Well, there is a tobacco division in the Department of Agriculture here, and the provincial governments of Ontario, Quebec, and I think British Columbia, give a great deal of detailed attention to tobacco. It is a small special crop that has been under direct encouragement for a number of years past.

Mr. FACTOR: On flue-cured tobacco, do you mean?

The WITNESS: All kinds of native grown tobacco. Consideration is given by these departments to the production of tobaccos, and the conditions surrounding production in Canada. I am sure you will find the tobacco division of the Department of Agriculture full of information.

Mr. BOULANGER: You have any index prices?

The WITNESS: Oh yes, I can give you the tobacco situation in much the same way as I have given you material regarding wheat, flour, and hogs and bacon.

Mr. FACTOR: Was there not an investigation into an alleged tobacco combine, followed by a report?

The WITNESS: I was just going to say there was an investigation recently under the Combines Act. I remember a great many years ago, 25 or 30 years ago at least, there was an investigation into certain practices of tobacco manufacturers held under the late Judge MacTavish. Speaking from memory, certain abuses (whether real or not I do not remember) were charged. Manufacturers having established in the minds of the public by advertising or otherwise a brand of, say, cigarettes that everybody was asking for, would then refuse (I must not be quoted as endorsing this statement, I am saying what was alleged) to sell the retailer this particular brand of cigarettes unless he also stocked up with their other brands.

Mr. FACTOR: That still goes on, Dr. Coats.

The WITNESS: I am not an authority on that. Well, that is a possible abuse—using a brand as a lever for other brands which perhaps the retailer does not particularly want to handle. Then there was an investigation under the Combines Investigation Act just a few years ago, not long ago.

Mr. FACTOR: Just a year or so ago.

The WITNESS: Yes. Doctor Archibald of the experimental farm also conducted an investigation recently into the tobacco industry.

Mr. FACTOR: In 1927.

The WITNESS: Was it? I did not think it was as long ago as that. The officer at present in charge of the tobacco division of the Department of Agriculture would, I am sure, have all these facts at his fingers' ends, and would be a valuable witness for the committee. I am not sure but that the export trade in tobacco has been investigated by the Commercial Intelligence Service.

The CHAIRMAN: Yes, they have some considerable information on that.

Mr. FACTOR: Might I be permitted just to take a moment to suggest that you have filed with the committee the report made on the alleged tobacco combine by, I think it was, the Registrar of Combines, and a special investigator appointed by the Minister of Labour. I think it would be useful to the committee to study that report.

The CHAIRMAN: Of course, any such report which is a public document, can be asked for.

Mr. FACTOR: I will move to that effect.

The CHAIRMAN: Mr. Factor has moved that any departmental report regarding the investigation of the alleged tobacco combine under the Combines Investigation Act, be filed with the committee; at least we will send a request to the minister that it be filed with the committee.

Mr. BOULANGER: We might do the same thing about gasoline.

The CHAIRMAN: Let us dispose of this first. All in favour of the motion? Carried.

Now, what is your motion, Mr. Boulanger?

Mr. BOULANGER: We might ask for the filing of any available reports with respect to gasoline.

The CHAIRMAN: Yes, we have the report of a parliamentary committee on that.

Mr. BOULANGER: We should have copies of the report of the parliamentary committee, and also of the report under the Combines Investigation Act.

The CHAIRMAN: Yes.

The WITNESS: It was an investigation by a parliamentary committee.

Mr. EDWARDS: The parliamentary committee sat about two years ago.

The CHAIRMAN: Of course, we cannot get anything that is under way; but we can get copies of the report of the parliamentary committee and make it available to members.

The WITNESS: On all such subjects as production, imports, exports and prices we would give you information.

The CHAIRMAN: Now, gentlemen, we have kept Dr. Coats on his feet for nearly an hour and twenty minutes, and I think you will agree with me that he has been most helpful, and that he has given us a resumé of all available information, as I felt certain he could do, and an indication of how we can proceed with some of the subjects in a manner that will minimize loss of time by the committee itself and secure for you a maximum of information. Is there anything that the members of the committee wish to say?

(Discussion followed).

Mr. BOULANGER: May I ask Dr. Coats if he has any information about the paper industry and the paper retail trade?

The CHAIRMAN: Do you mean the pulp and paper industry?

Mr. BOULANGER: Yes.

The WITNESS: Yes, we have.

Mr. BOULANGER: As to the retail trade—newsprint and coarse paper.

The CHAIRMAN: There is no retail trade in newsprint.

Mr. BOULANGER: No.

The CHAIRMAN: You mean paper—stationery.

Mr. BOULANGER: Yes.

The WITNESS: When you get into retail stationery you involve a great variety of products.

Mr. BOULANGER: No investigation has been made especially in connection with the coarse paper trade?

The CHAIRMAN: You mean wrapping paper and newsprint?

Mr. BOULANGER: Yes.

The WITNESS: Yes, there is a lot of information on that.

The CHAIRMAN: Mr. Boulanger, there is a lot of information on that.

Gentlemen, at the next meeting on Tuesday, we will follow the course set down the other day. Certain witnesses have been summoned; and we shall commence with the representatives of the minimum wage boards of the provinces of Ontario and Quebec. This will be followed by evidence from other parties whom the counsel for the committee have called. We shall possibly have to sit in the afternoon to get through with the witnesses, but we are going to sit as long as necessary to hear the witnesses and push the matter along as rapidly as possible. May I suggest that the sub-committee which was appointed the other day be authorized to continue as a counselling committee on procedure. If that is done I can call the members together on short notice, and we will report from time to time.

Mr. HEAPS: Mr. Chairman, have you the names of the witnesses whom you have summoned to appear here on Tuesday next?

The CHAIRMAN: We shall have Mr. Stapells, chairman of the Minimum Wage Board of the province of Ontario and Mr. Frank of the Minimum Wage Board of Quebec. Then, we shall have Professor Cassidy, and Mr. Tom Moore has been kind enough to offer to give us some evidence. Professor Cassidy has made an elaborate report on labour conditions in certain industries, and he will be called as a witness. There may be one or two others, if time permits.



Mr. YOUNG: Something was said about the appointing of commissioners to go into specific industries and investigate them. Have you the names of the commissioners available?

The CHAIRMAN: No. We are feeling our way in that regard. We shall have a consultation with Mr. Sommerville and the sub-committee to talk it over, and what we will do will be to meet in camera and discuss procedure in that regard.

Mr. FACTOR: If I understand correctly, the minimum wage is applicable only to females.

The CHAIRMAN: Whatever the law says. As I understand it in those two provinces the law is limited to female labour, but in the province of British Columbia the law, which we will file before the committee, applies to male labour as well in certain lines. Is there any other business?

Mr. KENNEDY (Winnipeg): Did I understand from Dr. Coats that you are going to file the memorandum in regard to the various investigations and reports on those various subjects that have taken place?

The WITNESS: Yes. I have already filed the memorandum appertaining to the broad subject matter upon which the committee will touch; and I have a further memorandum that I can file if you wish to have it for consideration, showing the materials available under a number of headings. As price spreads have been so prominently mentioned, and as the committee has these aspects presently in mind for study, it would facilitate matters if we could know sometime in advance the course that the committee is going to follow. For instance, if you are going to take up first the conditions in the live stock and animal products end of the inquiry, I would set to work at once with that end in view. Perhaps it would not be necessary for me to come before the committee, I could send on the information available. If that could be done it would be a great convenience. It requires a good deal of painstaking work to make sure that you get the materials on price spreads in a form that will not be misleading.

Mr. KENNEDY (Winnipeg): I had in mind the idea that you might prepare a memorandum involving or indicating what material is already available as a result of investigations that have been held, or reports that have been made.

The WITNESS: Yes. I can do that at once. For example, I mentioned to you what was available in regard to fish; there are three different reports available covering pretty nearly everything of interest within the four corners of the fish trade.

The CHAIRMAN: Dr. Coats will see to that.

The committee adjourned, to meet Tuesday, February 27, at 11 o'clock.

## EXHIBIT No. 2

## MEMORANDUM SUBMITTED BY DR. COATS

*Procedure of Investigation under Government Notice of Motion dated  
January 29*

1. The undersigned begs to offer the following suggestions as to the *method* of organizing subject-matter for the conduct of this inquiry:—

2. It is suggested that, in its opening stages particularly, the investigation, if it is to arrive at constructive conclusions and avoid dissipation of effort, *should proceed from the specific to the general*. In other words, it is submitted that the best results will be obtained by studying in the first instance the trade in a series of specific commodities and ascertaining from competent sources what are the conditions that normally surround the passage of each from the producer to the consumer.

3. The terms of the motion itself, it will be noted, are both specific and general. The preamble states the general problem, but the four subsections, especially (c) and (d), instance particular trades. It is suggested that the Committee might take up the two latter items, namely (c) and (d) first (they cover respectively the marketing of live stock and animal products, and the situation as regards flour-milling and baking), and either concurrently or later proceed to items (a) and (b), namely, mass buying by departmental and chain stores, with the repercussions of such practice upon other retailers, manufacturers, and the condition of labour. Items (a) and (b) are different in kind from items (c) and (d), in that they refer to a practice rather than to a commodity, and are therefore more general in application.

N.B.—In addition to animal products and bread stuffs, it would seem that fruit and vegetable products (raw and prepared), might also be investigated, together with typical manufactured products such as furniture, textiles, and leather goods. Fish is of course included in “animal products,” but some of the conditions surrounding the trade represent such different and distinct interests that it might merit special mention.

4. The process just suggested ought to reveal to the Committee from time to time as the enquiry proceeds any unfair and undesirable practices or conditions that exist (“lost leaders,” secret rebates, misleading advertising, various methods of cut-throat competition, etc., etc.), thus pointing the direction which remedial measures might take. (A feature like the “spread” in prices must first be studied in a series of particular instances; a “spread” of considerable proportions might be justifiable in one field and wholly unjustifiable in another.) The process of enquiry in specific fields would be assisted, its direction indicated and the work of the Committee in general facilitated if at as early a date as possible a resumé were made of the conditions that previous inquiries have shown to exist, such as inquiries under the Combines Investigation Act, various statistical enquiries, etc.

5. When a sufficient series of specific enquiries has been launched, the Committee might proceed to investigate certain broader subjects which have been thrown into relief, and from the study of which, from a purely theoretical standpoint, practical suggestions may be obtained. The list of related subjects might of course be indefinitely extended, but it would appear advisable on the present occasion to limit it to those that lie predominantly within the field of trading operations. Examples of subjects of this general kind on which expert evidence might be invited are:—

- (a) *Sweat-shop abuses*.—(Minimum wage legislation—factory and mines inspection—special legislation for the protection of women and children.)

- (b) *Farmers' markets.*—This is an old time device for bringing producer and consumer together and thus preventing price spreads; the possibilities might be re-explored for Canada.
- (c) *The Regulation of Commission Houses.*—United States state legislation on this point is suggestive. The investigations under the Canadian Combines Act in 1925-6 into the distribution of fruits and vegetables in Canada showed abuses that may arise.
- (d) *Co-operation.*—Co-operation among producers is well exemplified in Canada, and co-operative credit has been extensively organized in Quebec, but consumers' co-operation, which has attained such colossal proportions in Great Britain, plays a very minor part. Our intense individualism doubtless accounts for this, but there appears to be a lack of facilitating legislation.
- (e) *Standardization.*—The extent to which improvement in legislation or regulation on this subject is called for is worthy of investigation.
- (f) *Companies Acts.*—This is a provincial as well as a Dominion matter, but investigation might be made of the degree of latitude allowed with regard to capitalization and other phases in their effect upon (a) the investor in company securities, and (b) the consumer of company products. The question of more detailed annual reports of company operations to the chartering government might also be considered.
- (g) *Anti-combine Legislation and Machinery.*—An examination of the operation of existing legislation.
- (h) *Industrial and Trade Association.*—The increasing part which American industrial and trade associations are now playing in the organization of trading operation in their respective fields might be reviewed. American "Better Business Bureaus" might also be cited (there are a few similar organizations in Canada). However, in the formulation of any code of business ethics it would appear desirable that all interested parties—producers, traders, consumers, labour—should be represented. The United States "licensing" proposal might be studied in this connection, as a disciplinary factor involved—also the "compulsory" feature as applied to such associations.
- (i) *The Creation of a Federal Trade Commission.*—The advisability of some permanent central organization for the continuous observation and regulation of trading practices might be explored. It will be recalled that some years ago the institution of a permanent "Board of Commerce" for Canada was approved, its functions to be the regulation of trading in somewhat the same way as the Board of Railway Commissioners regulates railway tariffs. The constitutional aspect of this suggestion would have to be carefully considered.
- (j) *An Advisory Economic Council.*—It might be advisable to discuss a general project of this kind, though its implications embrace far more than internal trading activities. It is already involved in another notice of motion before the House (Mr. Speakman's).

6. On the above basis the adoption of final recommendations by the Committee would represent a process of evolution on the scientifically sound method of (a) eliciting the facts through examining a series of specific conditions, and (b) proceeding from the facts to generalizations and broad remedial suggestions. In the factual investigations just mentioned, care should be taken throughout to ensure consideration of every important point of view, and types of interest involved.



7. Finally, it is suggested that early consideration be given by the Committee to the expert staff required. The enquiry is a very large one—one that should be most carefully envisaged from the outset, and kept under “control” at each succeeding stage. This can only be done by “seeing the forest as well as the trees” at all times and adopting a rather strict line of procedure.

R. H. COATS,

*Dominion Statistician.*

HOUSE OF COMMONS, Room 368,

February 27, 1934.

The special committee appointed to inquire into price spreads and mass buying met at 11 a.m., the Hon. H. H. Stevens, presiding.

The CHAIRMAN: Order, gentlemen. We will have the minutes of the last meeting.

The minutes of the sitting of February 22, 1934, read and accepted.

The CHAIRMAN: There is one formal resolution that ought to be passed, that the committee requests permission to appoint and employ secretarial, clerical, stenographic, and investigational assistance, until the final report of the committee is submitted to the house. Will someone move that, please.

Mr. FACTOR: I think it would be better to leave the word "investigational" out of that resolution, until we see where we are at first.

The CHAIRMAN: This is only a request to give us the authority to appoint, it does not mean any action. I want a private meeting of the committee to discuss that whole matter. This is merely seeking authority to do it, without naming anyone.

Mr. FACTOR: I quite appreciate that, but I thought at the last meeting you suggested that so far as investigators were concerned, that we would go along for awhile and see how we get along without them.

The CHAIRMAN: That is true, but we have got to get at it very soon now; counsel is getting the matter in hand, and I want to have a meeting of the committee especially to discuss that thing. I did not want to take the time when we had witnesses here.

Mr. FACTOR: I have no objection, as long as it is understood that the scope and the personnel of the investigators will be submitted to the committee before any appointments are made.

The CHAIRMAN: It will be.

On motion by Mr. Edwards the resolution was adopted.

The CHAIRMAN: Well now, gentlemen, we have certain witnesses here this morning and I think it is desirable that we proceed as promptly as possible with the examination of the witnesses. As this is the commencement of the examination of witnesses by the committee, may I make a suggestion which I think will be helpful to the proceedings of the committee generally, and certainly will lend clarity to the record as it is produced, it is this; that as each witness is called counsel for the committee shall be allowed to examine the witness without interruption as far as that is possible, so that there may be a continuity to the evidence which is to be produced, and then after counsel is through, any member of the committee who so desires may ask any questions of the witness.

Mr. YOUNG: That does not mean, Mr. Chairman, if we think the point is not being brought out properly that we will be forbidden to interfere?

The CHAIRMAN: Not at all, except that I would ask the committee, so far as possible, evidence be taken down without interruption.

Mr. ILSLEY: In other words, Mr. Chairman, you suggest that members of the committee exercise a little restraint.

The CHAIRMAN: The first witness we have is Mr. R. A. Stapells, Chairman of the Ontario Minimum Wage Board.

I wish to express my appreciation of the action of the government of Ontario, and also of the government of Quebec, in allowing, in the case of Ontario, Mr. Stapells to come here and assist us by giving his evidence, and in the case of Quebec, Mr. Gus. Francq, Chairman of the Minimum Wage Board of that Province, who will be called later, to come here and give evidence. If Mr. Stapells would please come forward now.

Mr. RICHARD A. STAPELLS called and sworn.

*By Mr. Norman Sommerville:*

Q. Be seated, Mr. Stapells.—A. Mr. Chairman, and Gentlemen: I welcome the opportunity to tell your committee something about the operations of the Ontario Minimum Wage Board. We do not claim that the law is being lived up to one hundred per cent, I do not think any law is being lived up to one hundred per cent; but we do say to you that we are enforcing the law, as vigorously and as sincerely as we can. I would also like to add that for honesty and integrity, for efficiency and ability, the employers and employees of the province of Ontario are comparable with any similar group you may find anywhere else in Canada.

The act, gentlemen, was brought into force by the Drury government in 1920. The board was appointed. The act called for a board of five, two men, two women and a chairman. Two were supposed to represent the employers, and two were supposed to represent the employees. The government appointed Miss Margaret Stephens, at that time the secretary of Local 202 of the Garment Workers of America, a little Scotch woman, who had worked in an overall factory all her life. It appointed Henry George Fester.

Q. Is Miss Stephens still with you?—A. Miss Stephens is still with the Board; I will come to that as we go along.

Mr. Fester, at that time, was secretary of the Trades and Labour Council of Hamilton, he was president of the Cigar Makers Union of Hamilton, and he was president of the Independent Labour Party of Hamilton, a labour man all his life. The government also appointed Mrs. Horace Parsons, who was recording secretary of the National Council of Women, and very well known and highly regarded in welfare organizations in the Province of Ontario; and R. A. Stapells, president of Stapells, Fletcher, Ltd., this firm manufactures ladies dresses; and Dr. J. W. Macmillan, professor of Sociology of Victoria College, also the first Chairman of the Manitoba Minimum Wage Board, and generally recognized throughout Canada as a minimum wage expert; Dr. Macmillan was appointed as Chairman.

The Act covered all female employees in the Province of Ontario, with the exception of farm labourers and domestic servants. The first duty of the board was to determine the basis on which minimum rates would be fixed, the profitability or unprofitability of business was not considered, the efficiency or inefficiency of management, good times or bad times were all disregarded and officially the board decided on the basis of the cost of living, the generally accepted basis for all minimum wage rates. The board, first of all, therefore, studied the cost of living in all parts of the province. Toronto, made a very intensive survey into the cost of living in Toronto; then we selected the next



four cities in point of population—Ottawa, Hamilton, London, and Windsor. Then we investigated the cost of living in populations between ten thousand and thirty thousand, and then in towns from five thousand to ten thousand, and then in towns under five thousand. That necessitated the board visiting—and I am reading from the first annual report of the board.

Q. That is in 1922, is it?—A. No, in 1921. Fort William, Port Arthur, Sault Ste Marie and North Bay; London, Hamilton, Ottawa, Windsor, Chatham, Stratford, St. Mary's, and Kitchener. A special investigator spent several weeks inquiring into the cost of living in small towns, and finally we realized that there were a lot of villages and very small towns where large industrial and manufacturing plants were located, and we had the cost of living studied in these places. Then we produced a budget of the cost of living, based upon this more extensive investigation. At the time labour thought that the budget was somewhat low and some of the employers thought the budget was somewhat high; but the budget has stood the test of time, and we submit the budget to-day as being in line with the cost of living in this day even as we submitted it in line with the cost of living in 1921, based upon the cost of living for a self-supporting working woman in the Province of Ontario.

*By Mr. Young:*

Q. Do you mean to say that it is the same to-day as it was then?—A. Yes, Sir, for a self supporting working woman in our province. Let me explain to you that this budget is divided into three parts; first of all, is the cost of clothing, and the estimate for clothing amounts to \$2.21 per week. Now, we have asked over and over and over again organizations and associations and corporations to study that budget for the clothing item and submit to us evidence that the estimate was either too high or too low. Then, for sundries—and I do not take it, gentlemen, that you want me to read this whole budget; it is here, and I would be glad to do it if you would like me to.

*By Mr. Sommerville:*

Q. These things could be filed, Mr. Stapells?—A. They may. A member of the committee asked me a question, and I was wondering whether he would like to have the information now or if it would be alright to give it later.

*By Mr. Factor:*

Q. It would be interesting to have these three divisions.—A. Quite so; then, the cost of clothing \$2.21; then, sundries, per week, \$3.29; and board and lodging \$7.00 in the city of Toronto.

*By Mr. Young:*

Q. Have you the relative costs of the different sized towns you mentioned?—A. Just the difference in board only; because the girls in small towns, in addition to the local merchants, have access to the mail order catalogues, and therefore could get garments at the same price in those towns as the girls could in the city of Toronto.

Q. You gave us a figure of \$12 and something for the city of Toronto per week.—A. \$12.50.

Q. What would they be for a town of 30,000?—A. In cities of 30,000 population or over, except Toronto, \$11.50. That is the experienced minimum rate.

Q. Cities of 10,000?—A. From five to thirty thousand, \$11.

Q. Below 5,000?—A. \$10.

Q. Small towns?—A. That is the story.

Q. You spoke of villages.—A. Yes, but that was not fixed for the factories' list.

*By Mr. Factor:*

Q. These figures have been the same since 1921?—A. Yes. The cost of board is the item that could be reasonably attacked, the others could not, in our opinion, at least. But at that time, 1921, the breadwinner in the house was usually of the male persuasion, and if his wife came to him and suggested that Mary Jones was coming in from the old home town of Acton and her mother was rather anxious that she should be comfortably situated, and she suggested to her husband that they take her in as a guest boarder, her husband did not bother about it very much, did not bother very much about what the cost of board would be. They had a room upstairs and the wife was willing to take care of it. The cost of food for three people perhaps was slightly more than the cost for two, and he did not investigate what the food cost him, or what the board cost him; and so if they arranged for the girl to come in at \$6 or \$6.50 or \$7, he was not very much concerned. So, the rate was fixed at that time at \$7, which was pretty close to the wind. Well now, with the advancing years and the breadwinner out of work and young girls of that type coming into the home to board the husband very carefully scrutinized the cost to him of the girl living in his house; and he found to his surprise that it cost just about as much for board as he was getting out of her. So, the fluctuations have not been great. All last year we surveyed the cost of living so far as board and lodgings were concerned in the city of Toronto, every month, and we found it just fluctuated between \$7, \$6.85 down to the lowest point, I think, of \$6.38. So, based upon the cost of living, the only basis that we recognize, last year we could have reduced the minimum wage rate by the difference between \$6.38 and \$7. But, gentlemen, no organization in its cooperate capacity, excepting one, approached the minimum wage board and asked for a reduction in the rates; and that one organization, when it appeared before the board and it was pointed out that the uptrend in the cost of living was likely to occur almost any moment, and if so, we would have to put it back again, admitted that in the interest of stability it would be advisable to leave it where it was.

In fact one manufacturer said, if there is only a difference of sixty-five or seventy-five or eighty cents, give the girls the benefit of the doubt. I think, perhaps, what he really had in mind was that he wanted to know what the minimum rates were without having \$12 one month, \$12.75 another month, and perhaps \$12.50 another month. So that there was no real serious request for a reduction in the rate. I want to say to you at this stage, that I am very glad the board was not forced to reduce its rates because the cost of living is on the uptrend at the present moment; and to-day we are receiving no serious complaints about the rates fixed by the minimum wage board. Have I answered your question sir?

Now, how did we proceed to get the co-operation of the employers of the province, and how did we start in to fix our rates? Well now gentlemen, the speaker happened to be the only business man on the board; and while he thought at that time that he knew something about the dress business and one or two other businesses that he was interested in, frankly, there were a great many businesses he did not know anything about. And no one on the board knew anything about the conditions obtaining in those other industries. So, we called a group of outstanding men of certain industries together. For instance, the first industry was the laundrymen's industry; and we quite frankly told them that we did not know anything about their industry, and would they tell us something about the problems and conditions obtaining whether there should be a learning period; what the initial wage should be; what they thought would be a fair minimum wage; to tell us frankly what the problems were with which they were concerned. And after we had conferred with the employers we then selected a group of employees from various plants; and we called them into.



conference. We usually had them at night, and we paid them a witness fee. We said to them, "Now ladies, you are here; this is a private and confidential conference. We want you to be frank with us, because you have very heavy responsibilities. You are going to help fix the rate of all your fellow employees in this particular industry; and the meeting is private and confidential." We had a very ready and very willing and very cheerful response. And then we told them what the employers had said, and asked them if they agreed; and if they did not agree, we listened to what they had to say, and if they did agree, well naturally, we were pleased. And then having reached agreements with the girls, we brought the employers and employees together. I am taking a little time, Mr. Chairman, to explain this because it is the very foundation of our work.

MR. SOMMERVILLE: Perhaps if you could abbreviate the history and get to the existing conditions, and what it covers, it would be better.

THE WITNESS: I am not going to take very long with it, but don't you think in order to lead up to that, we ought to get the ground work?

MR. YOUNG: I think it will be very interesting to know how those wage rates were arrived at.

THE WITNESS: It is not going to take me very long, Mr. Sommerville. Then, we called the employers and employees together. We did not face the employee with her employer. We got a group of employers and we got employees from other plants, perhaps from outside the city, and we discussed the problems together; and then when we reached agreements the employee would move and the employer would second and the rates and conditions would be decided on. Now gentlemen, it is a very significant fact we did not fix one single rate. We knew what the cost of living was. We led them, perhaps, towards that cost of living, but the employers and employees themselves fixed these rates and passed these conditions and agreed upon these things.

*By Mr. Factor:*

Q. Does not the act provide for those conferences?—A. Oh yes. Of course, the point I am making is these rates were fixed by the employers and employees themselves. It is obvious to you we could not call all the employers in the industry into conference and all the employees and announce a public hearing, as covered by the act, as Mr. Factor very kindly points out. We advertised public hearings and invited all and sundry to come and explain their views on what we proposed to do. And if at that public conference some new element was introduced that required us calling back together a conference of employer and employee, we called the conference together and submitted these views. If it did not need that, we did not call them together. And then, having reached an agreement so far as the public was concerned, we published the orders in the Ontario Gazette; and having published the orders in the Ontario Gazette, 60 days later the law came into force; because we needed that time to get the cards printed and sent out covering these orders. Now, these orders generally cover piece rate workers as well as rate workers. In 1931 Mrs. Parsons, one member of the board, died, and Dr. MacMillan died in 1932; and by act of parliament the board was reduced to three in May, 1932, and the speaker was appointed chairman. I am finished with the first part, Mr. Sommerville, of what I have to say in this regard. I think that is what you want. How do we enforce our orders? Well now, first of all we had a—

*By Mr. Sommerville:*

Q. Might I suggest just what are the orders, and who are covered by the orders.—A. May I do it in my own way, please.



Q. I thought perhaps before you came to the question of enforcement you would acquaint the committee on who are covered and what is covered.—A. I think I have already said that female employees in the province of Ontario are covered, excepting domestic servants, farm labourers, and we do not cover school teachers or nurses. We did not issue a board for school teachers or nurses because at that time we found they were so amply protected that there was no necessity for it. There are all the orders, Mr. Sommerville (producing orders).

*By Mr. Factor:*

Q. You mean, since the board was inaugurated?—A. Yes, these are the orders in force to-day.

Q. How many, roughly?—A. About fifty. Then, as I said gentlemen, we had a card printed, a card like that (exhibiting). Now, I would like to make it clear that the card was not printed for the purpose so much to inform the employers, as to inform the employees what they were entitled to under the law. And we sent these cards out to all the names on the list that we had prepared. Then we prepared a list, gentlemen, after consulting with the Workmen's Compensation board of Ontario, the Factory Inspection Branch of the Department of Labour, Ontario government; Might's Directories; Fraser's Business Directories; Bell Telephone Company directories; Ottawa federal statistical department; Dun's Commercial directory; Municipal licence departments; Liquor Control board of Ontario; and also the Retail Merchant's Association, Laundrymen's associations, Woollen and Knit Goods Manufacturers association, Chain store associations, Carton Manufacturers association, Hotelmen's association, Restaurant Owners association, Canadian Manufacturers association, Associated Clothiers of Toronto, Canadian Garment manufacturers association, and the Hairdressers' association.

Q. Did your board also fix the maximum hours, both minimum wage and maximum hours?—A. No, at that time there was no control over hours, and we had to govern ourselves, and we did in this way: at that time the manufacturers were deluged with inspectors from municipal boards, provincial governments and dominion governments. They had questionnaires to fill out by the score. To some we felt this must just seem to be an added burden to them, and so we did not add any more than we had to to the burden that they seemed to be carrying at that time.

*By Mr. Heaps:*

Q. Are there any maximum hours fixed at the present time?—A. Well, I have been away from Toronto for twenty-four hours, and I do not know what happened in the Ontario legislature yesterday; but we are leading in that direction, gentlemen, and before I am through I shall read to you my recommendation to the Department of Labour regarding that point. But at that time what we did was this: we had no control over hours; the Factory Act provided for 10 hours, and we have had to see that the numbers we agreed upon, the number of hours ordinarily in vogue in the plant should be the amount for which the experienced minimum was paid; that is, if one plant had been in the habit of working forty-eight hours, then the minimum wage was forty-eight hours; if another plant worked fifty hours, then the minimum wage was fifty hours. That was agreed upon between the employers and the employees, the number of hours in vogue. In other words, we did not go in and say, "You have been working fifty hours, you must only work forty-eight."

*By Mr. Factor:*

Q. I am not disputing your rule, but this seems to me to be very important, because if the maximum hours are not fixed, then perhaps the whole operation of minimum wage is destroyed by reason of that.—A. The maximum is sixty; they cannot work more than sixty under the Factory Act.

Q. I understand under the Minimum Wage Act, as contained in the revised statutes under Section 11, the board can fix minimum wages, the maximum number of hours per week for which such minimum wages can be paid?—A. Quite right. That was an amendment about two years ago.

Q. You have not taken advantage of that?—A. In some instances, yes.

Q. That is what I wanted to get; you fix maximum hours?—A. We do. As a matter of fact, we do in restaurants, hotels, and do in some retail stores; where we found that the industry ran to abnormally long hours, then we dealt with it; and where we found that the industry did not run on abnormally long hours, then we did not fix the rate. As I said before, a little later on I am going to indicate to you that we are taking steps in that direction.

At this point I would like to point out that I have been chairman of this Minimum Wage Board only since May, 1932. I really did not get into my stride for some few weeks, and have only produced one annual report for the Ontario government, and it is the report which was laid on the table in the Ontario legislature yesterday. My first report covered only five months of my regime, or six months. The report that I presented yesterday covered the full twelve months.

Having secured this list, these cards were sent to the names we had on this list. Now, gentlemen, we have the assistance, first of all of eighteen inspectors of the factory inspection department. These inspectors are under the direction of the Factory, Shops and Office Building Act, and the factory inspection department of the Department of Labour, and this act says on page 168, section 6, "It shall be the duty of every inspector appointed under this act to report any violations of section 20 of the Minimum Wage Act to the Minimum Wage Board."

*By Mr. Factor:*

Q. That is the Factory Act?—A. Yes. Section 20 has to do with the posting of these cards in a conspicuous place where the employees may readily read them. But thirteen years ago, when we started our work, we had a meeting every two weeks and have had right down through the years, with the head of this factory inspection department, Mr. Burke, and now his successor in office, Mr. Prain. We sit in with Mr. Prain, as I say, or Mr. Burke, every fortnight and discuss the problems of the enforcement of the act. The eighteen inspectors from time to time have collected arrears of wages for us, they have inspected pay-rolls, they have taken off wage sheets and they have advised us about the cards, whether they are posted or not. During 1933, as an indication as to how they are working with us, we had 1,192 reports for the year 1933 from these inspectors.

Q. You mean breaches of the act, or just ordinarily?—A. Well, breaches of the act, if the cards are not posted. If they are not posted because they did not know about the minimum wage law, it was not a breach of the act. We have had these reports covering wage sheet adjustments, wage adjustments, whether or not the card is posted or whether they have sent in their wage sheet or not.

Then we have four specially trained negotiators. You can understand that if an inspector of the board goes in to a firm where it is necessary to adjust his pay-roll, and perhaps collect \$500 in arrears of wages, it has to be not only someone with experience, but someone with rare tact and judgment, in order to bring about a delicate adjustment of this kind, and so we have four very expert special negotiators. They are, first of all, Miss Stephen, who was originally appointed to the board as a member of the board in 1920. Miss Stephen, as I said before, has been an overall operator all her life. She belonged to her union, was secretary of her union, and a very able, very conscientious and excellent inspector for us. After the change in chairmanship, one of the first things I did was to get Miss Stephen to resign from her position as an overall operator and come in as a full time inspector for the minimum wage board; so we have Miss Stephen. We have had for years Mr. Fester, the vice-chairman, who is with me



here to-day. I have given you Mr. Fester's background. He is naturally sympathetic towards labour; then he is a born negotiator, because he has been mixed up in negotiations all his life. I may say to you at the present time he is official arbitrator of the Amalgamated Clothing Union of the United States and Canada.

Mr. FESTER: No, for the city of Toronto.

The WITNESS: For the city of Toronto; selected by the union and by the employers, and he is very highly regarded as a negotiator. Then we have Mr. Kelly, situated at Port Arthur, and he is our special investigator in that part of the country. Then we have appointed Mr. E. A. O'Dell of Hamilton, a man who has been mixed up in labour all his life, was organizer for the boot and shoe union—I am not using the exact title of the association, because I do not know it; but Mr. O'Dell is one of the outstanding labour men in Canada; so I have the assistance, gentlemen, of these four special negotiators.

*By Mr. Factor:*

Q. Four special investigators?—A. Yes, negotiators. We have called them more particularly negotiators, Mr. Factor, for the reason that so far as inspections are concerned, we can have that done through our usual methods, but when it comes to negotiating with firms who are flouting the board or with firms who do not report their wage sheets, then we use these four special negotiators.

Q. Is Mr. Fester a negotiator and a member of the board?—A. Yes, and so is Miss Stephen.

Q. They are both?—A. Yes, both members of the board. There are just three members of the board, Miss Stephen who was appointed in 1920. Mr. Fester and myself. Then we have the assistance of the crown attorneys throughout the province; if we find that a firm up in, we will say, Renfrew, which refuses to send its wage sheet, refuses to answer our primary order, refuses to adjust wages, we write to the crown attorney and ask his co-operation in the matter of getting that firm amicably to do what we have asked. Perhaps it is just a very simple request and they just get negligent, or they may be belligerent. I don't know; at any rate, we use the crown attorneys throughout the province and have their co-operation. Sometimes we use the provincial police and sometimes we use the chief of police, and we have used both in the enforcement of the act.

Now, I would like to make this point clear: we have the sympathetic and cheerful co-operation of most of the employers of the province. We have not experienced a great deal of difficulty in securing a return to our questionnaire. This questionnaire is sent out once a year. It calls for the total number of female employees, young girls under eighteen, the number on piece work, the number on time work, the number of office workers, the number of hours worked per day, the number of hours worked per week, the name of the employee, the date of hiring of those paid less than experienced workers' minimum wage, weekly rate of wages, actual number of hours worked for a period, last year, of twelve weeks and the actual amount of wages paid in this, covering piece workers; the idea there, of course, being that if the girls were working on short time on piece work, and we had the actual amount of wages paid, we would know whether our rates of \$12.50 in the city of Toronto were being violated or not. In other words, a firm could not come along and say, "Well, we worked only a few hours in the day, and that the girl was properly paid for that time." We divided the number of hours normally in vogue in that man's plant into \$12.50, and that is really the rate, and he has to give us the number of hours worked; and we, of course, work out with our clerical staff, the amount of wages that a girl is supposed to receive.

*By Mr. Edwards:*

Q. Is that minimum based on the minimum wage of sixty hours?—A. No, sir, the number of hours in vogue in the plant.



Q. I understand that.—A. The number of hours in vogue in the plant.

Q. That is per week, if sixty hours is the basis—A. But it is not, most decidedly. I have explained that twice. The number of hours in vogue in the plant. If it works forty-four hours in the city of Toronto, \$12.50 is for forty-four hours.

Q. If the time is sixty hours?—A. It is also the same, \$12.50.

Q. That is where the weak spot is?—A. It may be, and perhaps a little later on in my address, if you don't mind, I will indicate to you just how we propose to correct it.

*By Mr. Sommerville:*

Q. May I just deal with the question of the period of the twelve weeks; who selects the twelve-week period for which the report must be made?—A. We do.

Q. From a certain date to a certain date?—A. Yes, we do.

Q. You fix that?—A. Yes.

Q. You fix that twelve-week period out of the year?—A. Yes.

Q. And the twelve-week period gives you a basis upon which you decide whether or not there has been compliance with the order?—A. Correct.

Q. With the operation of the act?—A. Yes; and, Mr. Sommerville, I at once get your point. Some may say there is a weakness there.

Q. I am not discussing any question of weakness. —A. I know. Nevertheless I get the point.

Q. I want to know whether the employer fixes the twelve-week period?—A. No, we fix it. We have been asked, "Why don't you collect wage sheets covering the whole fifty-two weeks in the year?" Well, I will answer that in this way: what an onerous obligation it would be for a firm employing 1,800 girls to write down 1,800 names for fifty-two weeks in the year. I do not think it would be very long before there would be protests that that would be too great a strain on the clerical help, especially during these economic conditions.

*By Mr. Edwards:*

Q. Could that not be got simply by duplicating their pay-roll?—A. Yes, but if there were only a copy of the pay-roll—

Q. What is to prevent putting a carbon in the typewritten pay-roll, would not that give you the exact number of hours?—A. There are thousands of firms that do not typewrite their pay-roll, or even write their pay-roll in ink.

*By Mr. Sommerville:*

Q. May I just, following up that twelve-week period, make it clear to the committee that it is not a period of twelve weeks, one week in each month in the twelve?—A. No.

Q. So that it is not like a sample week out of each month?—A. No.

Q. It is a period?—A. A definite period.

Q. And in some industries that period may strike an active season and in some industries it may strike an inactive season?—A. Yes, it may conceivably do that.

Q. In the clothing industry you get the spring season and the fall season?—A. Yes.

Q. And if you take the twelve-week period, it might fall outside of the range?—A. Yes.

Q. That depends upon the date when you fix it?—A. Yes.

Q. I was only asking for information.—A. Yes. And on the other hand, if we took a week out of each month, we might strike a week where they were closed down and they might have three employees or might have no employees at all, and not give us their information.

*By Mr. Heaps:*

Q. Don't you think it is very important that we should have some idea of what the average annual wages of the girls are?—A. I can tell you; in my own time I will be glad to. I have it here. Your female employees must be listed separately. I might say until the change in chairmanship that employers were allowed to summarize, all those who employed girls with over seventy-five employees; but that change was made the moment the change of chairmanship came into force, and now they must list separately every female, if they have 10,000 females, list their names separately. The questionnaire must be signed by a member of the firm and certified correct by a member of the employing firms. These questionnaires are sent out once a year, and when they come back a staff of checkers who have been with us for years, take last year's pay-roll and take this year's pay-roll, and take the year previous, and they check them up, to see how the wage rates are running, and to see if by any chance a girl appearing on last year's pay-roll is not getting the wage, if she has been reduced; because, gentlemen, there have been reductions in pay-rolls during the past few years, as of course you are all aware. These are very carefully checked up once a year with the previous year's wage return.

Now, I would like to just here say this: we believe from our experience, and from the number of times that we have checked up the pay-rolls with the wage returns, that the majority of employers are honest. We believe they give us an honest return, and quite frankly I want to say to you that I am prepared to follow the philosophy, if you will, that employers are honest until I find them crooked; and not that employers are crooked until I find them honest. I have had thirty-two years business experience in the province, and my experience over those thirty-two years prompts me to say that the vast majority of men with whom I have come into contact have been honest men, and not dishonest men.

As an illustration as to the degree to which the field has been covered in some of the particular classes, I would like to submit some figures; and just at this point I would like to say that we have collected returns covering 77,500 female workers in the province of Ontario.

*By Mr. Factor:*

Q. That is the total of female workers?—A. No, it is the total we have.

*By Mr. Sommerville:*

Q. The total that are registered under the Minimum Wage Board?—A. Yes.

Q. As being in the industries which have reported and are within the jurisdiction of your board?—A. Quite right. Take the textile and needle trades first—

Q. Perhaps while that figure is fresh in the minds of the committee, could you indicate the number of places of business or factories in which the 77,500 female workers are employed?—A. Have we a week in which to do it?

Q. Oh, approximately; are there 3,000, 4,000 or 5,000 factories; if you can give us just the even hundred, the total number of factories and total number of business houses, just to give the committee a picture of the widespread coverings of your board?—A. Yes; about 4,000 firms.

MR. SOMMERVILLE: Factories, for instance ?

MR. FACTOR: All industries?

MR. SOMMERVILLE: Yes, all industries; factories as opposed to stores.

*By Mr. Edwards:*

Q. What would you call a factory, what number of wage earners ?

MR. SOMMERVILLE: I don't think it is a question of that.

Mr. FACTOR: More than four.

Mr. SOMMERVILLE: As against business houses.

The CHAIRMAN: Perhaps Mr. Stapells will get that information and have it a little later.

The WITNESS: I had it this morning.

*By Mr. Factor:*

Q. Mr. Stapells, does the 77,500 consist of experienced employees?—A. No.

Q. That includes the three categories?—A. Yes.

Q. Experienced, inexperienced and under eighteen?—A. Girls under eighteen can be experienced if they have had the requisite time in the industry. It really covers experienced and inexperienced workers in the province of Ontario in the field that we have covered, and that is just what I am coming to. In the textile and needle trades, according to the Dominion Bureau of Statistics, 1931, there were 22,504 employed. Our figures for 1932 were 23,354.

*By the Chairman:*

Q. Female or altogether?—A. Female.

Q. Both cases?—A. 22,504 for the textile and needle trades together. The reason we put the needle and textile trades together was because the Dominion Bureau of Statistics placed them in that way.

*By Mr. Sommerville:*

Q. To make a comparable statement?—A. Yes; and we have 23,354 covered.

Q. In 1932.—A. The drug trade, the Dominion Bureau of Statistics for 1931 show 1,517. For 1932 we have 1,251. Now, the question you asked—

*By Mr. Edwards:*

Q. What do you mean by the drug trade, manufacturing drugs?—A. Manufacturing drugs and not drug stores, the wholesale houses and so on. To go back to the textile and needle trade, there were 801 firms. To answer your question, this governs the wages in the following trades: drug, chemicals, pharmaceutical or toilet preparations, dyes, inks, shoe blacking or polish, mucilage, medicines, non-corrosive acids and non-hazardous chemicals or medicinal preparations.

*By Mr. Factor:*

Q. That is the orders?—A. That is an arbitrary list that we arranged ourselves just for convenience.

*By Mr. Edwards:*

Q. I just wanted to know whether it was manufacturing, or producing?—A. Both. Then we come down to the leather trade. The Dominion Bureau of Statistics for 1931 have 1,705 listed. We have 1,953 listed; firms covered, 91. Electrical goods, the Dominion Bureau of Statistics record 1,335. We have on our list, 2,005, with 60 firms covered; and when I say we have on our list, we have the wage rates of these girls on these wage returns.

Then we come to the food trades, and I hesitate to give you this figure and the Dominion Bureau of Statistics, because they must have some other classification somewhere, that we have not found. They only show 1,534 whereas we show 4,237. It is perfectly obvious to me that we have included in our classification some that they have not included. For instance, we have included seasonal cannery in ours and they possibly have not included seasonal cannery



in theirs. Then we have tobacco trades, and the same thing applies here. They have figures 224, we have 1,025; but there again I think they have this seasonal tobacco industry with a number of additional employees which they have reported in their figures.

Then the rubber goods trade; the Dominion Bureau of Statistics have 21 firms and 1,045 employees, where we have 1,630. Then in the jewelry trade, 166 is the Dominion Bureau of Statistics figure for 1931; our record for 1932 covers 267.

Q. That is, Mr. Stapells, you are giving the 1931 figures of the Bureau of Statistics?—A. Yes.

Q. And you are giving us the 1932 figures for the minimum wage board.—A. Yes.

*By Mr. Factor:*

Q. Why compare them in that way?—A. They are quoted as there 1931. I am just reminded that these are the census figures for 1931 by the federal government; and that is the explanation, Mr. Factor.

*By Mr. Sommerville:*

Q. What is the purpose of the figures, that is what Mr. Factor wants to know.—A. The purpose?

*By Mr. Ilsley:*

Q. Why don't you just give us your figures; are you giving the Bureau of Statistics figures to show that theirs are incorrect?—A. No, I was indicating, rather, the difference which exists between them, and pointing out that we covered more than they did.

*By the Chairman:*

Q. Yes, Mr. Stapells, you did not cover all the numbers you have given there because you have already given more numbers of organizations than you show as your total number.—A. No, I have not, Mr. Stevens, excuse me. These are the number of firms from which we have got a wage sheet, and the names of every single one of these employees are on these wage sheets; to make it absolutely clear, these figures are taken from the names sent in and certified to by the head of the firm.

Q. Run them over rapidly.—A. Then there is the paper and printing trades. 4,535, in 1932, we show 4,535, while the Dominion Bureau of Statistics show 3,257. Miscellaneous trades, we show 3,880 for 351 firms, while they show 214. Laundries, we show 2,846 employees for 226 firms while they show 2,833. For retail stores, we show 9,923 for 1932.

*By Mr. Sommerville:*

Q. You say 9,923 employees.—A. Yes.

Q. What does the Bureau of Statistics show?—A. They show 19,399. Now, the explanation there is this, that they have gone into every village and town throughout the province. We have not got hot-dog stands where a girl may be employed; we have not got corner groceries, like at Brown's Corners; we have not got a lot of the small stores in these smaller towns, for the simple reason, it is very difficult to get, and besides in these small towns and in these small villages it is not likely that bad wage conditions or working conditions obtain.

Q. Have you got the totals; just look up your total number of institutions and I think you will see that there is a difference of about 10,000 in retail stores.—A. Yes.

Q. The Bureau of Statistics cover approximately 10,000 more employees in retail stores.—A. Right, and purposely so.

Q. What do you mean by that?—A. We did not go into the small towns throughout the province, looking up these corner groceries and retail stores, and so on.

Q. You did not go into those?—A. No; and we did not go into the hotels and the restaurants, we did not go into the small villages looking up small hotels. Under the heading "hotels", "restaurants", etc., we show 4,491 employees for 624 establishments, while the Dominion Bureau of Statistics show 5,513. Then we have "hairdressers and beauty parlors" (only towns of 30,000 and over) we show employees 240, with 135 firms, where the Dominion Bureau of Statistics show 2,340; then for custom millinery, our returns show 440 employees for 135 firms while the Dominion Bureau of Statistics report 1,104; then for office workers (clerical) we have no figures for 1932, but for 1933 our returns showed 13,305 for 1,095 firms, while the Dominion Bureau of Statistics' report shows 54,118. And then for chain stores we have a total of 888 reporting, which covers 4,489 employees.

Q. I suppose, Mr. Stapells, when you are referring to the Bureau of Statistics, that these statistics were taken by inspectors who made their inspection on a certain date when they made their census.—A. I presume so. Yes.

Q. And your board would have the changes that took place over the year, and the ultimate result of the year's operation; your figures would reflect that?—A. As far as we are concerned, yes. I do not know just how they filed their figures, or how they got them.

Mr. FACTOR: Well, Mr. Sommerville, you are not expressing the fact that that would cover towns of 10,000.

Mr. SOMMERVILLE: No, that is a different factor.

The WITNESS: These statistics which were taken for the Dominion Bureau of Statistics were taken for one day when the census taker called.

Just at this point, I would like to say, Mr. Chairman, if you do not mind, that the board, as a board, attended 182 regular meetings in 20 months, and that the chairman has delivered addresses at Hamilton, Ingersoll, Preston, Kitchener, New Toronto, Mt. Dennis, the Canadian Manufacturers' Association and Board of Trade meetings, and at several service clubs and at churches in and around Toronto; and we have interviewed, perhaps hundreds of individuals in our offices.

*By Mr. Sommerville:*

Q. We will agree that the church activity is very commendable.—A. And members of the board read every letter that comes in to the board; the Chairman personally reads every letter that comes in to the board, and he signs every letter that goes out from the board.

The CHAIRMAN: Mr. Stapells, may I make a suggestion to you; I do not want you to feel that the committee are critical in any way of the way in which you do your business, I think we will gladly take it for granted that it is very efficiently done; but we are most anxious to get at certain facts. I think that the question of how the board has operated is accepted. If you have any statistics that you wish to file, I think it would be better to file them and let us try to get on. I notice we have been over an hour now and I would like to get on with the more essential matters, if we could.

The WITNESS: Well, Mr. Chairman, I have been thirteen years on this work and it takes a long time to cover the ground.

The CHAIRMAN: We are quite satisfied, Mr. Stapells, to say that for thirteen years you have been doing well.

The WITNESS: Some of our friends may not think so, Mr. Chairman, and that is just the point I want to bring out.

The CHAIRMAN: We are not here in any critical sense at all.

The WITNESS: I am very glad to hear that.



*By Mr. Sommerville:*

Q. The committee are desirous of getting information.—A. We have no mean task, gentlemen, I have signed 10,800 letters in 20 months.

The CHAIRMAN: Frankly, we do not care if you have signed 40,000.

The WITNESS: The point is that we have no mean task, and we endeavour to fulfil it to the best of our ability.

*By Mr. Factor:*

Q. We are rather interested in seeing how the act is enforced.—A. I have tried to explain to some extent, now we will go on a little further. Towards the latter part of 1930 we found that wage rates were undergoing a change. Frankly, we began to find some indication that the maximum wage was becoming the minimum wage; something that labour feared over 8 or 10 years ago. For instance, we found it over the last few years, and the result has been that our task has been very difficult, and delicate, particularly during the last few weeks.

*By Mr. Sommerville:*

Q. I think, Mr. Stapells, what you mean to say is that the minimum wage has become the maximum. Your reference was that the maximum had become the minimum.—A. Yes, you are right, the minimum wage becoming the maximum. We decided for the first time, during last year, to collect returns from office workers; we had not done so up to that point, and to collect returns from the seasonal canners, and also to collect returns from seasonal tobacco operators, and we have got several thousands as a result of that determination.

*By Mr. Factor:*

Q. Would your 25 or 26 cover these workers?—A. It does. We did not collect returns formerly because we did not think it necessary, the former chairman did not think it necessary, but when the change in chairmanship came, we decided to collect these, and we have collected them for the last year. Here are some of the difficulties, Mr. Chairman; pieceworkers, suppose there were a lack of orders in a plant, and the result was that we are to curtail on piece work, if she were filled up with orders during the day, she could make the minimum wage according to piece rates that obtained in the plant, if she had sufficient work to enable her to earn her minimum on piece rates, she could do it, but if the plant were short of work and could not give her sufficient work to enable her to make the minimum rate, then, of course, she fell below the rates fixed by the board. That was not the girl's fault. We adopted the attitude that that was the fault of the employer, and if he kept that girl on the premises for the full working day, whether she was at work or not, he had to pay her the minimum wage, according to our regulation.

*By Mr. Young:*

Q. Or discharge her, is that the idea?—A. Well, it is his right to discharge if he wants to; there is no law under God's heaven to make him employ the girl if he doesn't want to, and there is no law to make the girl work if she doesn't want to. Early in April, 1932, I sent out this letter, and it is touching on this piece rate work, Mr. Stevens. To indicate to you that we realize the difficulties that we are likely to create: A recent inspection of payrolls in the needle trades industry discloses the fact that some firms are not keeping time records for their pieceworkers. This practice renders it almost impossible for the Minimum Wage Board to determine the hourly and weekly earnings of the employees concerned and constitutes a distinct violation of the Minimum Wage Act. The law is clear on the point and reads as follows: "Every employer shall keep



records setting forth the names, rates of wages, hours of labour, actual earnings and actual time spent in work of all employees, and the ages of those employees under eighteen years, and these records shall be open at all times during business hours of inspection and examination by any member or representative of the Board, and copies therefrom shall be furnished when requested by the Board." Penalties of from \$10 to \$20 may be imposed for failure to comply with the above requirements. The Board has decided that the failure to keep records for pieceworkers must come to an end and takes this means of warning the trade that prosecutions are inevitable if the practice continues. And, furthermore, in the event of demands for arrears being received from employees who claim to have been underpaid, the statement of the employee as to time worked and wages received will be accepted by the Board if the employer is unable to furnish complete and proper records.

*By Mr. Factor:*

Q. Do you think \$10 or \$20 is an adequate penalty for the prevention of violations such as these; you will notice that is the penalty provided in the act? —A. It does seem small, but may I point this out, Mr. Factor: There are a class of immigrants who started business in this country after a few years, for instance; they have not received a very good education in their own country, and they come out to this country, and because of their thrift and ability, and their determination, working for some one else, they saved this money to start in business, and when he starts in business he doesn't know much about keeping books, and he does not know much perhaps about reading clearly legal documents like these. I must confess as a business man, and perhaps the Chairman will agree with me, that it is mighty difficult sometimes for us after we have instructed a legal firm to draw up a legal document, to understand what we are getting at when the document is presented to us. And how much more difficult it must be for one who does not know the language. And if he unwittingly, I would call that unwittingly, fails to—does not keep records; if we sat down too hard or too fast on him, would it be fair to charge him \$50 or \$100?

*By Mr. Edwards:*

Q. Would not that be legal, to charge that? That is in the Act; that is only one of the penalties, and these penalties range from \$10 to \$200.

*By Mr. Factor:*

Q. But that is the penalty for that?—A. Yes. Not keeping records, \$10 to \$20.

Q. You think that is accurate?—A. That is what it is, and we will give our opinion on that.

Q. I just wanted to get something on that?—A. Quite so.

*By Mr. Sommerville:*

Q. Records are the basis of the whole minimum wage law operations, are they not?—A. Yes, they are.

Q. And failure to keep these records therefore prevents the Board from getting information required for the operation of the Act?—A. Yes.

MR. SOMMERVILLE: I think that is what is in your mind, Mr. Factor; it would give the Board their right to take action.

MR. FACTOR: Yes.

THE WITNESS: These events were taking place before the change in the Chairmanship.

*By the Chairman:*

Q. Just before you leave this; suppose the employer sends the employee away from the premises part of the day, there is a corresponding cut in the amount of the wages the employee would receive.—A. Yes, and it is in the same category as a girl who works three days and is not paid for six. There is nothing to compel that.

Q. Or, she may work certain hours of the day, and not other hours, and is only paid a part of the minimum wage for the day at the rate of the minimum wage hourly rate.

*By Mr. Sommerville:*

Q. But she may work part of every one of the six days of the week and be paid on a partial basis.—A. Quite.

Q. So that the requirement that any person who keeps an employee upon the premises shall pay that person whether they are working or not may have the effect possibly of having the employer send that employee home after a certain number of hours during the day.—A. Quite right.

*By the Chairman:*

Q. Well, Mr. Stapells, does not that negative, as it were, all the trouble you have gone to in arriving at what the minimum wage for a person to live on, under your budget system will be?—A. It would seem to, Mr. Chairman; but, of course, now we are getting into the question of unemployment insurance.

Q. No, we are dealing with it only in so far as it comes under this law.—A. I repeat, there is no law under God's heaven which will make an employer pay a girl for the time she does not work, if she only worked for part of a day, that is all he has to pay her for.

*By Mr. Sommerville:*

Q. Then, under this system, the employee is only paid for full time when that employee is on the premises.—A. Right.

Q. If, as a result of inspectors, or supervisors, speeding up the employee, that employee, this year, does 20 per cent or 30 per cent more work during the year than formerly, that employee may be sent home before the end of the day.—A. That is the basis of the piece work system.

Q. So that the employer may, if he desires, speed up the pieceworker to produce the same number of articles in a shorter period of time and then have the pieceworker sent home.—A. Right.

Q. And then he would only pay the proportionate amount of the \$12.50—A. Right.

Q. And the employer received the full quota of articles that he had formerly received from the pieceworker.—A. I do not know that I can enter into that particularly.

Q. Is not that the fact?—A. It all depends on just how much speeding up is done; if you have a lazy girl who would make five garments in an hour normally, and she could be called upon to make seven, because her fellow-workers make seven, it is a quite proper thing to speed that girl up, I would suggest.

Q. But, Mr. Stapells, do you find many lazy employees under the present piecework rate, and under the present minimum wage provision; is not the tendency to speed up general all along the line.—A. I do not know, I cannot tell you that, I am not in these plants.

Q. Has your board not received a number of complaints as to the general speeding up that has taken place during the past two or three years.—A. No, we have not had many complaints with regard to what would be "driving the help" in other words.



Q. Driving the help?—A. No, we have not had any complaints in that connection.

Q. I asked you that, Mr. Stapells, because a number of complaints have come in from employees over this speeding up process that has been going on for these last several years, as one of the means of reducing the costs for manufactured articles.—A. We have not received these complaints.

*By Mr. Ilsley:*

Q. How is this speeding up done?—A. You will have to ask Mr. Somerville.

*By the Chairman:*

Q. That, I think, will come up later. There is another question which I would like you to go on, Mr. Stapells.—A. Yes, Mr. Chairman.

Q. Assuming that the process of speeding up were adopted, and consequently, assuming that you went into a large store where the girls were brought to work only in the rush hours and were paid only for the hours they worked at the minimum wage hourly rate, that would inevitably defeat the object of the minimum wage law if that was the only work which the girl had. —A. Oh, no. Once again, Mr. Chairman, you are bordering on the unemployment insurance thought. If your girl works for three hours in the day, and there are girls that are working that—take for instance, the case of a restaurant, where they have a rush at dinner time or lunch time and the girl comes in and works three hours, and assume that she does not again work the rest of the day anywhere else, you cannot make that employer pay her for a whole day's work.

*By Mr. Heaps:*

Q. Has not that girl got to live during this interval?—A. I would say so, yes, sir.

*By the Chairman:*

Q. You have not answered my point, that is a normal condition in the restaurant business, well recognized, but we will take a store in which a girl is working during the rush hours, there are rush hours from 11 to 4, for instance, and then there are two or three hours at the commencement of the day, and along towards the end when there is a slacker period. Now, the girl might have no other occupation, and her job in that store is subject to the minimum wage law, which is intended to provide her with a minimum wage that she can live on. If the employer takes a certain percentage, say, half of his employees, and brings them in say at eleven in the morning instead of nine, thus saving two hours there, and lets them off at four instead of five, or five instead of six, saving another hour or so at the other end, he would have half of his staff working only part of the day, for a little over half time, for which he would pay them, and he would be getting virtually full time service from them.

Mr. FACTOR: How is that girl paid?

The CHAIRMAN: She is paid by the hour, at the minimum wage rate, for the rush hours. Does that not defeat the object of the minimum wage law?—A. I would not say that it does, Mr. Chairman. We are concerned with rates, and there is no minimum wage law to take care of a situation of that kind.

Q. Then, why do you fix your budget on a weekly basis?—A. Because it is assumed that the girl is going to do a week's work, and if she works, gives of her time, strength, and ability for a week, whether it be of 44 hours or 48 hours, then she should get these rates that we are charged with the responsibility of fixing, but we are not charged with the responsibility of fixing charges for girls when they are not working.



Q. You have no interest then in the administration, in evasions such as I have indicated?—A. Well, I would not call them evasions, Mr. Stevens.

Q. Well, circumlocution, we will call it?—A. Well, it may be, just as has been pointed out, if a firm only has three hours of work for a girl in a day you cannot force more work. There is no law to cover that point.

*By Mr. Factor:*

Q. Where a firm employs a girl only three hours a day, while your minimum wage is \$12.50 per week, she would not be paid for the whole week, unless she worked the whole week.—A. You mean, if she worked the whole week, he would have to pay her \$12.50, whether she worked twelve hours or fifty hours in the week.

Q. No, that is not what I mean?—A. If she worked for three days, and then goes home for three, you would have the firm paying her three days, but you would want her paid for the whole week; if that is what you mean, if that is not unemployment insurance what is it?

*By Mr. Sommerville:*

Q. Perhaps we are at cross purposes?—A. Yes, there are two or three questioning me at the same time, but I will do my best to answer one.

Q. Your board is interested in the administration of the minimum wage law?—A. Fixing the rates.

Q. This is not a fair wage law, it is a minimum wage law?—A. It is not a fair wage law.

Q. It is not what is fair; if an employee works for a week, then your administration fixes the minimum wage for the week, that is the idea. I think you set it out well in your report for 1932, where you say: it must be kept in mind that we are not administering a fair wage law, but a minimum wage law, that we do not fix the wages, but simply set the cost of living levels below which wages may not fall.—A. Below which wage rates may not fall.

Q. I have just got wages here.—A. Please do not overlook that "wage rate".

Q. These are in this report.—A. Quite so.

Q. At any rate the minimum wage law asks no more for working women than society demands for its criminals, imbeciles and paupers, namely, sufficient food, proper shelter and modest clothing. That is clearly understood. Surely there could be no argument as to its desirability. It is a question of minimum rather than fair wage, that is being administered. Now, Mr. Stapells, I ask you this; if the minimum wage is being administered on the basis of the cost of living and not on the basis of the ordinary requirements of the individual, and a firm, as the chairman says, decides that instead of its employees coming in at nine o'clock in the morning, they shall come in for the peak hours, eleven to two, and four to six; that is, they are there practically only two-thirds of the day and they receive accordingly two-thirds of the minimum wage set by the act.—A. Right.

Q. And when the employer reports to you, he reports that the employee has been there two-thirds of the forty-eight hour week and has received two-thirds of the \$12.50?—A. Right.

Q. Or the sum of \$8 to \$9 a week. That is about the situation with respect to that employee?—A. Right.

Q. Has it not come to your knowledge, Mr. Stapells, that during the past two or three years, by reason of the economic conditions, employers have been cutting down the hours of employees, particularly store employees, or staggering the hours so as to reduce the number of hours they would work and thus reduce the total amount paid to those employees.—A. No, not in stores. In stores we find them increasing the hours. It is in factories where they reduce the hours. We find them doing that in factories, yes.

Q. You find them doing that in factories?—A. Yes.

Q. That would have the effect of giving an employee very much less than the \$12.50?—A. Correct.

Q. Then, Mr. Stapells, the \$12.50 is fixed for the ordinary hours of work in a plant?—A. Yes.

Q. Does that mean that every employee over 18, every experienced employee over 18 in that factory must receive the \$12.50?—A. No.

Q. What does it mean?—A. It means for the normal number of hours in vogue in the plant in which she works, if she works those hours then she gets \$12.50 a week, if she is experienced.

Q. Suppose the plant is a 48 hour plant and the employee works the full time, does it mean that every experienced employee working the full time must get \$12.50?—A. If she is on a time work basis. If she is on piece work basis, there is a provision that calls for 80 per cent of those on piece rates, if they earn the minimum wage the other 20 must be slow or must be malingerers or something of that kind, and they must take what they earn.

Q. Even for years?—A. That is a provision that is used in every minimum wage law in all countries in which minimum wage laws obtain.

*By Mr. Factor:*

Q. Do you mean that 80 per cent do get it?—A. Yes.

*By Mr. Sommerville:*

Q. Then, Mr. Stapells, if a person is employed at a weekly wage rate, or a rate per hour and she works the full time of the factory, that employee gets \$12.50; is that right?—A. Yes, if she is experienced.

Q. If she is experienced, and she is working on piece work, and if 80 per cent of the piece workers receive \$12.50 or reach that minimum, that is said to be a compliance with the provisions of the act?—A. Right.

Q. So that every factory may, in reporting to you, show 20 per cent of its experienced female workers as earning less than the minimum wage law calls for?—A. Right.

Q. And that would be the latitude in which your minimum wage would operate?—A. Right.

Q. That being so, Mr. Stapells, if you found a case of employers whose employees were engaged on piece work, and they were speeding up the employees in order to get them.—A. We do not know anything about speeding up. They do not call us and tell us that they are going to speed up their employees; that the employees are going to speed up. We have nothing on that score at all. We know nothing about that, as a matter of fact.

Q. So that the complaints that have come to this committee have not come to you, at any rate?—A. No sir, they have not.

Q. Has this kind of complaint come you: when a firm finds that 60 per cent of its employees on piece work have earned only \$11 during a week, they advance the additional dollar or dollar and a half to 20 per cent in order to make it \$12.50?—A. We have occasionally come across that where an employer said we will make it up, yes.

Q. Then, have you found that in the following week or month when that particular employee to whom the advance has been made is in the 20 per cent class, and has earned say only \$7 that the \$1 or \$1.50 advanced, has been deducted from the \$7?—A. Never.

Q. You never found that?—A. Never.

Q. Then, those complaints that have come to this committee have not come to you?—A. No.

Q. They have not come to you?—A. No.

Q. You are not familiar with that practice?—A. No, sir.



Q. Then, may I ask you this: does the 80 per cent apply to all the industries that are under your board, or is there a different proportion for some other industry?—A. No, all piece workers are on the same basis in all industries where piece rates obtain.

Q. I just want to get the variation here. Take, for instance, this order no. 47 of the Minimum Wage Board for canners and packing of fruit?—A. Yes. I beg your pardon; you are right. Sixty per cent in the season, because there are a lot of people who come in and work an hour and never come near the place again. They may come in and work two hours and you never see them again.

*By Mr. Factor:*

Q. Seasonal canners?—A. Yes.

*By Mr. Sommerville:*

Q. Any female employee in factories in canning, packing and evaporating fruits and vegetables?—A. Yes.

Q. They operate seasonally. Where you have set a minimum wage, if there is 60 per cent of these piece workers who receive the minimum wage.—A. Yes.

Q. —from their piece work, then that is said to be a compliance with the act?—A. Yes, the reason being this, that in those plants they work possibly three or four months only in the year. The tomato season starts in and runs for about five weeks only. They call in tomato workers. These women will come in and they may take on 400 and every one of them experienced, the whole group. It was decided that as they were old people and some of them perhaps very young, perhaps some had never done any work before, had not a proper comprehension of what they had to do, did not understand it at all, that the 60 per cent ratio would obtain rather than the 80 per cent that obtains in the regular factory which is working 12 months in the year. That was the reason for that 60 per cent.

Q. You have then, generally speaking, found that the employers of canning factories are pretty efficient?—A. You see, there are different kinds of canning factories; there is a regular canning factory that runs 12 months in the year, and then there is the seasonal canners that only work three or four months in the year.

Q. With respect to the seasonal canners, is it not a fact in your experience in the board, that they are employing very largely and almost exclusively those persons who do a full day's work and therefore they are getting full experienced help whereas 60 per cent is all that is required?—A. Where would they get full experienced help? If the town of Leamington called for 700 workers to start in on the first of May, these girls would come from more or less all over within a radius of 50 miles, and you would have farmers' wives and daughters and school girls, the most of them inexperienced, coming in to make a little money. In fact, in some of these places, they provide accommodation for them; they build houses.

Q. I presume they have been peeling tomatoes in Leamington for many years?—A. I do not know why you presume. We find a great many of these people are inexperienced.

Q. I mean the plants in Leamington have been peeling tomatoes for a long time. If that is so, have you found that 60 per cent is a rather small portion?—A. We do not think so; most decidedly and emphatically we do not think so. And it was the experience of the canners themselves and the employees. Some of the employees in the canning factories fixed that 60 per cent, not the Ontario Minimum Wage Board.

Q. Have you, in the course of your board's inquiries, had occasion to hear complaints that women were engaged in those seasonal canning plants working



all day, the full ten hours a day, and getting 50 cents for their work peeling tomatoes and such things?—A. We have had some anonymous complaints to that effect.

Q. Have you made investigations as to what they were getting?—A. How could we investigate the anonymous complaint; if we did not know the name of the girl we could not find out whether she was getting it or not. We get many letters during the year alleging dreadful conditions up there, and every place that we investigate we find not a word of truth in them.

Q. Now, let me understand the operation of your board. You have Mr. Fester and Miss Stephen, who are members of your board?—A. Yes.

Q. Then you have two inspectors who are directly employed by your board?—A. Four—three.

Q. I think you have four—A. Mr. Odell, Mr. Fester, Miss Stephen and Mr. Kelly, who is partially serving another department.

Q. Outside of the members of the board you have those two inspectors?—A. Yes.

Q. And those two inspectors, Mr. Kelly is serving your board and also another department?—A. Yes.

Q. When did Mr. Kelly join you; when did you get the additional man?—A. A year ago.

Q. Then the policy of your board, as I understand it, is to rely upon the statements that come in from manufacturers as to their wage rates?—A. Yes.

Q. Covering the period of 12 weeks?—A. Yes.

Q. And an 80 per cent showing of that wage rate is taken as a compliance with the board's requirements?—A. So far as piece workers are concerned.

Q. It is not the policy of the board, as a policy, to initiate inspections of those plants as a regular routine to see if they are living up to the wage requirements?—A. No, for two reasons: first of all, on economic grounds. The Ontario government has been trying to balance its budget for the last two or three years, and they have deliberately asked us not to—asked the department not to increase expenditures. In the second place, we do not think it necessary. We would have to have a couple of hundred inspectors, perhaps a thousand inspectors to cover every establishment throughout the province.

Q. These 77,000 employees are scattered through a great number of plants and industries?—A. Quite right.

Q. Can you give me any idea of the number of plants in which they are engaged, Mr. Stapells?—A. 4,215.

Q. Factories, that would be?—A. Yes.

Mr. FACTOR: 77,000?

*By Mr. Sommerville:*

Q. How many stores or mercantile plants would there be?—A. About another 2,000.

Q. So that altogether there would be some 2,400 or 2,500 plants and stores and mercantile establishments?—A. I would think so.

Q. In which these 77,000 workers are, and of course, it would be a very large task for you to gather data from these employees as to what they are paid?—A. Yes.

Q. During the past 18 months what evasions have there been? You told us that you have had a number of complaints and you found a number of evasions. From how many firms did you find it necessary to secure adjustments of arrears of wages during the past 18 months?—A. 320.

Q. 320 firms?—A. And 340 altogether.

Q. There were 340 altogether?—A. Yes.

Q. 320 of those were not prosecutions; is that right?—A. Correct.

Q. And 20 of them were prosecutions?—A. Correct.

Q. Resulting in convictions?—A. Right.

Q. Of the 320 what was the total amount of the adjustments that you secured for the employees?—A. Well, first of all I would like to say that we had a thousand adjustment of wage sheets.

Q. There are 1,000—A. 1,000 adjustments of wage sheets covering 2,500 girls. Now, these adjustments might be of this nature—

Q. What?—A. Not a violation of the law, just a misunderstanding on the part of the employer or a misunderstanding on our part; but that had to be adjusted. We had 1,000 of those covering 2,500 girls.

*By Mr. Factor:*

Q. Would you mind asking him how many actual cases of arrears of wages were recovered?

*By Mr. Sommerville:*

Q. You had 340 cases of adjustments—at least in the case of adjustment of the 340 firms, how many employees received back wages? Can you tell me that?—A. Of course I can.

Q. About how many—A. Adjustments without prosecution, there were 320 firms covering 589 girls.

Q. And the total amount adjusted was?—A. \$20,240.

*By Mr. Factor:*

Q. How far back do you go, usually?—A. My term—

Q. How far back do you go?—A. Under the Summary Convictions act we are only allowed to go back six months.

Q. In other words, you cannot recover arrears committed in breach of the Minimum Wage Act beyond six months?—A. We have collected for a longer period than that. We have collected for a year and a year and a half, but we have no right. What we have said is, you owe those girls, and we want you to pay it over. The act only goes back six months, unless they change it to-day in the House in Toronto.

*By Mr. Sommerville:*

Q. You said also in addition to this, there were minimum wage adjustments, —1,000.—A. 1,000.

Q. What does that cover?—A. 2,500 girls.

Q. What was the amount of this adjustment?—A. It was not an adjustment. I said before they were very simple misunderstandings between the board and the employer. I might say this—

Q. Corrections.—A. Corrections; that is a better term.

Q. I thought perhaps you had figures with you.—A. I have, on any wages; any question that arises on wages or prosecutions.

*By Mr. Factor:*

Q. I should like to ask your opinion on the six months' period, Mr. Stapells. Do you, from your experience, think that it is a sufficient length of time to go back?—A. Mr. Factor, I do not. I have asked the Ontario government to pass an amendment in the present legislature making it a year.

*By Mr. Sommerville:*

Q. Then, Mr. Stapells, in addition to this you have had some firms that you prosecuted?—A. Yes.

Q. And I understand that the policy of the board is to prosecute only in the event of there being open defiance of the board or some flagrant case of deception in the records?—A. I think that is a fair way of putting it, yes.

Q. And in these twenty prosecutions, how much money have you recovered for employees and for how many employees?—A. We recovered for 171 employees; 20 firms, 20 prosecutions, \$4,693. Our total altogether, \$24,931.51.

Q. That is the total amount of adjustments you have been able to make?—A. The arrears we have collected.

Q. In the last eighteen months. Then, Mr. Stapells, what has been the nature of the evasions for which prosecutions have taken place?

*By Mr. Factor:*

Q. May I interrupt for a moment; I would like to know what fines were levied against the offenders in these prosecutions, those twenty convictions; have you a record of that?—A. Do you want the names?

*By Mr. Sommerville:*

Q. The twenty convictions?—A. Parkway Tea Rooms, Toronto—

Q. I would not give the names, if you can give the total fines.—A. The total fines were six hundred odd dollars. It is my memory which is serving me now.

Q. Possibly \$30 apiece?—A. Yes, I can read them here: \$20, \$20, \$20,—and costs, of course, in each case; \$70 and costs; \$20 and costs; \$20 and costs; \$80 and costs; \$50 and costs; \$20 and costs; \$20 and costs; \$20 and costs; \$20 and costs; \$20 and costs; \$20 and costs; \$20 and costs; \$200 and costs.

*By Mr. Factor:*

Q. \$200 is the maximum; in one case it is the maximum?—A. Yes. There were some separate charges here; in no case was the maximum given. I may say this, that the disposition of the magistrates is not to apply the maximum.

*By Mr. Sommerville:*

Q. Then, Mr. Stapells, as to the nature of the evasion, have you found that in the course of your investigations, that some companies have kept two sets of records, one for the Minimum Wage Board and one for themselves?—A. In one single case.

Q. Have you found they have kept false records?—A. Yes, we have found some where they kept false records.

Q. What are the false records?—A. For instance, putting down a girl as getting \$18 a week when perhaps she was only getting \$10 or \$14 a week.

Q. Have you not found cases in which they had two sets of cards, one for the factory and one for the office, the office copy being submitted to the board?—A. No.

Q. No false record of that kind?—A. No.

Q. What has been the nature of the evasion where you went so far as to prosecute?—A. Under-paying the girls, supplying wrong information to the Minimum Wage Board, not keeping correct records, and deliberately trying to fool the board.

Q. Has the situation in the textile trade been rather serious as far as the minimum wage problems are concerned?—A. No; particularly in the needle trades.

Q. In the needle trades?—A. Yes.

Q. You have referred to the needle trades and textile trades?—A. Yes.

Q. The needle trades have been rather seriously affected?—A. Yes.

Q. And you have a good many complaints from them?—A. Yes.



Q. And in that trade, that particular branch of the business, is where you have had most of your adjustments?—A. No, I would not say that. I would not say that we have had most of our adjustments there.

Q. Well, most of your prosecutions, shall I say?—A. No, I would not like to say that.

Q. Why do you say most of the trouble is in the needle trade?—A. For the reason that they are on short time, they are on short orders, they are working part time. The needle trade certainly has been up against it, perhaps more than any other industry during the past few months; and these fellows struggling against fate, struggling against depleted surpluses, struggling against the imposition of dictation perhaps by the provinces, they have paid their girls—have tended to reduce below our levels, not deliberately, but the poor manufacturer was not perhaps in any other position than to just do it that way. In some cases we prosecuted where, the next day, they assigned because they were completely up against it. When a man is desperate, he will take a chance, and I think some of these people have taken chances.

Q. Have you found that some of these plants have not reported to you the full number of employees that they have had?—A. Yes, we had two cases of that.

Q. Have you found in some cases that there were actually two persons drawing the one pay envelope; that is to say, one person appearing as drawing \$15, whereas that was divided between that person and another?—A. Well, we had two or three instances; in the first one there were two pays in one envelope but both girls were getting  $33\frac{1}{2}$  per cent more than the minimum wage calls for.

Q. That is for part time?—A. For full time. Each of them should have been getting \$12.50 per week and one was getting \$17 a week and the other drawing \$16.

Q. Have you had cases where there have been infractions of the minimum wage by that process?—A. Yes, but not as many; we have heard allegations of that, but they have not been brought to our attention; and then we have had this—and it has been the practice in the needle trade for years—where an operator will bring in an assistant, a helper and the firm will not know anything about it. The operator may be teaching her.

*By Mr. Factor:*

Q. You mean an apprentice?—A. Well, that is what the operator calls her, an apprentice; and while we hold the employer responsible, after all is said and done, if he does not know anything about her being in there, or he does not know he is violating the law, he is not so reprehensible a being after all. We have had cases of that kind.

*By the Chairman:*

Q. Do you think there would be many cases where the employer would not know an extra worker was on his staff?—A. Well, there are employers—plants, where they may have 100 or 150 girls and the employer not go upstairs to the factory once in—

Q. But the foreman?—A. The foreman may know, yes; but it has been the practice in the needle trades for the girls to bring in helpers; and in the men's section of it I believe it is very prevalent, not to bring in girls but to bring in other men, to teach them.

*By Mr. Sommerville:*

Q. Mr. Stapells, has it not come to your board as it has come to us, that instead of them being inexperienced helpers that are brought in, experienced operators come in with the registered worker, with the worker who punches the

clock, and the two together work on the piece work to produce the minimum wage?—A. That is the same thing, two pays for one envelope, or the name of one on it.

*By Mr. Factor:*

Q. How many cases of that are this?—A. Very few. When it has been brought to our attention, we follow it up very vigorously.

*By Mr. Sommerville:*

Q. Of course you would. That is the policy of the board, as a matter of fact, is it not; you mostly wait until there is a complaint, naturally?—A. Oh no.

Q. And then follow it up?—A. No. What about those 1,000 adjustments I have spoken about?—A. No, we will initiate an investigation.

Q. That is, you will initiate the investigation after they become apparent on your examination of the wage sheets?—A. Yes.

Q. But if they do not become apparent on the wage sheet, you wait for complaints from the employees?—A. What else could we do?

Q. I am just asking if that is the system; that is the policy, of course, that you have adopted?—A. There is no other way unless someone complains. What else are we to do?

Q. Have you found, as a matter of fact, diffidence on the part of the operators for fear they would lose their jobs? Is not that the experience of your board?—A. I wish you could see the number of girls that come up to the office every day asking for information and making complaints. No, they are not afraid of losing their jobs. There are some of course, because the average little girl in business is modest; and I want to say this at this point, that we do not institute prosecutions, for that particular reason, as much as we adjust wages. A girl will come in and say to me, "Oh, Mr. Stappells, please don't take us into court, we don't want to go into court to collect our arrears." After we got as we did in this case, \$100 for this girl, and her wages were shown to be at \$12.50—it was possible to have effected a large adjustment in her case—she does not want us to prosecute and take that firm into court; and so we have got these adjustments on that basis.

Q. When you find that employees are entitled to moneys from their employers for breaches of the act, have you found in some instances the employees, would refuse to take the arrears?—A. Yes; last week we prosecuted one firm and the girls came themselves, our witnesses, and they got up in the witness box and asked the magistrate not to mulct this employer of theirs because he was hard up and because they did not want the arrears and they would not take the arrears if they were given to them.

Q. Is that because they were afraid of losing their jobs?—A. I cannot tell you what their object was. They were not afraid of losing their jobs when they allowed us to prosecute.

Q. I appreciate that.—A. I cannot tell you what was in their minds. I asked Mr. Fester afterwards, and I think the feeling was that these girls were really a little sorry for this employer. He employed seven girls, and they were really a little sorry for him.

*By Mr. Factor:*

Q. You do not think that there was any other motive?—A. Not in this case; there may have been; we have no way of judging motives.

*By Mr. Sommerville:*

Q. Do you know of any other cases, Mr. Stappells, where the employer settled with the employees at ten cents on the dollar; have you found many cases of that kind?—A. I would not say how much they settled for, they have settled, they have gone to the employees and had a conference, perhaps they



were on very good terms, you see, Mr. Sommerville, and possibly we did not know anything about it. I have had girls come to my office and say now we don't want to be dragged into court to settle this, because to do so might throw us out of a job. I remind them that they are entitled to their \$12.50 per week, and they say that they have reached a settlement with their employer, whom they say has made an adjustment in their wages, and they are going to look after their future.

Q. That is just what I infer, judging by the broad lines we have been taking. There are instances where to disclose the identity of the board might be prejudicial, I thought perhaps your experience would have been somewhat that they are in danger of losing their jobs.—A. Yes, I would think so.

Q. Does the board permit the settlement of claims for so much on the dollar? —A. How do we know when a girl goes privately to the employer and makes a settlement?

Q. Does not the girl make the settlement through your office?—A. We might not know anything about it, they make settlements that we know nothing about.

Q. I mean when you get co-operation and the girls are being paid, you do not make settlement through your office.—A. Yes, we do, if the case comes to our notice at all.

*By Mr. Factor:*

Q. Do you make any settlements through your office on this percentage basis?—A. No. There may be times, for instance, where you have a company which goes into liquidation or makes an assignment and we have to collect so much on the dollar on the assignment. If we find that a firm has not a dollar and the owners are absolutely up against it, and the girls are satisfied to take a portion and be glad to get a portion we will make settlement; just common sense would prompt us to do it.

The CHAIRMAN: Now gentlemen, it is one o'clock. I think Mr. Sommerville is through with the witness.

Mr. FACTOR: I would like to have asked Mr. Stapells to discuss the problem of apprentices and how that works.

The CHAIRMAN: Well, the committee would like to hear Mr. Stapells again this afternoon. We will adjourn the committee until three thirty o'clock this afternoon in this room.

Committee adjourned at one o'clock to meet again at three thirty, p.m.

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#### AFTERNOON SESSION

The committee met at 3.30 P.M. and continued with the evidence of Mr. Stapells.

Mr. SOMMERVILLE: Mr. Heaps is leaving in a few minutes, Mr. Stapells, and he may desire to ask you a few questions.

*By Mr. Heaps:*

Q. You gave the sum of \$12.50 being the minimum rate of pay for the girls under your jurisdiction?—A. In the city of Toronto.

Q. And outside of the city of Toronto it is a dollar per week less?—A. Not necessarily. In some towns it is \$12, some \$11.50. There is one industry in Hamilton and other points which asked purposely that they make it more. They wanted to make it \$11.50. They asked us to make it \$12.



Q. Could you give to the committee the amount received by those other than skilled employees?—A. What particular industry?

Q. In a general way.

Mr. FACTOR: You mean not experienced.

Mr. HEAPS: Inexperienced.

The WITNESS: Yes. Take the textile industry—a factory—if a woman is over eighteen years of age, in the first six months of her employment she should receive \$10 a week; then in her second six months, \$11; and at the end of twelve months, \$12.50, the experienced minimum.

*By Mr. Heaps:*

Q. After twelve months she is looked upon as experienced?—A. An adult over eighteen. If she should be a young girl under eighteen, say starting out at sixteen years of age, the minimum wage for the first six months, \$8, the second six months, \$9, the third six months—the eighteen months learning period—\$10. After the eighteen months \$12.50.

Q. What do you include in the textile industry?—A. Spinning, knitting and weaving.

Q. How about the garment industries, the clothing industries?—A. They are under the needle trades.

Q. Could you give to the committee an idea of the approximate time one of these girls would work during the whole year?—A. No. I have not got that information, frankly. It is to some extent seasonal. There are certain times in the year—and when I say we haven't got it, please bear in mind that I was for thirty years in the dress manufacturing business myself. There were certain periods in the year when we were slack and not much work going on. During the depressed conditions we have been going through, these slack periods have been a little more accentuated.

Q. Do you think a girl would work eight months in the year on an average?—A. In my plant they always worked eight months, nine months and ten months; in some places under eight months, depending on how successful the firm is.

Q. Would eight months be a fair approximation of the time a girl would work during the year?

Mr. SOMMERVILLE: At the present time?

The WITNESS: I would think so.

*By Mr. Heaps:*

Q. If you have your minimum rates split by two-thirds that would be about the average wage a girl would earn in the province of Ontario?—A. Yes.

Q. In other words, a girl to-day would be earning \$8 or \$8.25?—A. According to that way of figuring; according to ours it would be about a minimum rate.

Q. She would be making \$8.50?—A. Yes.

Q. If \$12.50 is, as you say, the minimum rate on which a girl could live in anything approaching decency, you would not expect she could live on \$8.50 a week?—A. I have no answer to that question.

Q. The committee want to know something about industrial conditions in the province of Ontario?—A. You are asking me for my opinion.

Mr. FACTOR: That is not the fault of the minimum wage act; we are discussing fair wages.

Mr. HEAPS: I think the committee is investigating industrial conditions. In investigating industrial conditions we have a gentleman before us who occupies the position of chairman of the Minimum Wage board who tries to state what is an approximate living wage, \$12.50, for those engaged in industry. He could tell the committee whether \$8.50 is anything approaching a decent living wage.

The WITNESS: I would not say it was approaching a decent living wage, no; but I have an act to enforce, and that is my job—not to provide for girls who are not working during slack periods. That is something entirely foreign to the minimum wage board administration. I have no authority whatever.

Mr. HEAPS: Speaking strictly within the confines of the act you may be correct. I do not think the committee wishes for a moment to say that this investigation shall be confined strictly to the interpretation of the act.

The WITNESS: I would say there are others more qualified.

The CHAIRMAN: Excuse me, gentlemen; might I suggest that we confine ourselves to asking for facts rather than for opinions from Mr. Stapells, because that is hardly fair to him or to the committee.

*By Mr. Heaps:*

Q. May I ask if Mr. Stapells has in his possession figures to show exactly what the average wage of the girls is that come under the jurisdiction of the Minimum Wage board?—A. Yes. What industry would you like?

Q. Have you them all?—A. I have them all.

Q. Textiles?—A. I have them all covering 77,000 girls.

Mr. FACTOR: I would suggest that this table be filed with the committee.

The CHAIRMAN: Mr. Stapells, could you file this table with us?

The WITNESS: Yes, sir.

The CHAIRMAN: Would that be all right, Mr. Heaps?

Mr. HEAPS: Yes; as long as it goes into the record.

The WITNESS: As a matter of fact, it is my annual report, and, having been released to the House I can present it.

*By Mr. Sommerville:*

Q. If you present your annual report, does that contain the information for which Mr. Heaps is asking?—A. Yes.

Mr. FACTOR: You mean the average wage earned by the girls annually?

Mr. HEAPS: The annual wage.

The WITNESS: Oh, no; we are only dealing with rates.

*By the Chairman:*

Q. You have no record, Mr. Stapells, of what any girl—A. gets during the whole year.

Q. —of the 77,000 throughout the whole year?—A. No, sir.

*By Mr. Sommerville:*

Q. You have no record showing the length of time in a year in which a girl works?—A. No, sir.

Q. And the record is for merely a four weeks' period or a twelve weeks' period; in return she was receiving a certain wage?—A. Yes, sir.

Q. Whether she was engaged for six months, nine months, of that there is no record?—A. No records. We do not collect them.

*By Mr. Heaps:*

Q. This morning you spoke about the dictation of the banks?—A. No, I do not think I said the dictation of the banks.

The CHAIRMAN: I think you did.

The WITNESS: Did I say the "dictation" of the banks?

Mr. FACTOR: Under extenuating circumstances.

The WITNESS: It may be that. Did I say "dictation"? What I said was this: if a firm owed a bank a large amount of money and the firm was not successful and the bank was asking the firm to reduce its overdraft and this firm in order to try to reduce the overdraft was hard put in order to get sufficient to reduce the overdraft then they might adopt desperate means to reduce the overdraft by various methods, reducing wages for one.

The CHAIRMAN: That is only supposition on your part?

The WITNESS: That is all, Mr. Stevens.

Mr. HEAPS: You have no direct knowledge of that?

The WITNESS: I have not, sir.

*By Mr. Factor:*

Q. Is there anywhere we can get a record of what the average weekly pay of these girls is? You haven't got it?—A. No.

Q. Could you assist us in getting it?—A. The only way you could get it would be to ask the individual firms to give you a copy of their yearly payroll.

*By Mr. Sommerville:*

Q. Perhaps you could assist the committee by giving them the average weekly earnings of these girls for the twelve week period for which you have the records? That will not give the year but it will give the average for the twelve weeks?—A. In 1933 we had 456 firms reporting 7,154 female employees. The average weekly rate of wages was \$13.80, the average number of hours worked 44.6. There were out of these 7,154, 27 who received under \$7 a week, 3,054 who received between \$7 and \$8; 143 who received between \$8 and \$9; 163 who received between \$9 and \$10; 64 who received between \$10 and \$11; 431 who received between \$11 and \$12; 1,391 who received between \$12 and \$13; and then we reach the minimum level. Now, from that point on I have no authority whatever. This board has no authority over wages beyond its minimum.

Q. What industry is that?—A. The needle trades. Between \$13 and \$14, 1,372. These are quite beyond our authority, \$14 and \$15, 937; between \$15 and \$16, 743; between \$16 and \$18, 530; between \$18 and \$20, 330; between \$20 and \$22, 189; \$22 and upwards, 255.

*By Mr. Kennedy (Peace River):*

Q. How do you select the twelve weeks? Do you try and pick twelve weeks that represent in your mind the average for the year of that particular industry?—A. When they are busy.

Q. When they are busy?—A. Yes.

Q. It would not be a picture really of the whole year?—A. It is difficult, because one needle trade might be busy in the months of September, October and November, others might be busy in July, August and September, others would be busy in the three previous months. In the needle trades they make coats, dresses, caps, pants, vests—in these various needle trades, altogether something like 23,000, I think.

*By Mr. Sommerville:*

Q. Your method of selecting the twelve week period, as I understand, was by dividing your industry into so many component parts?—A. Yes.

Q. And in order that you might not be glutted with the reports from all of them in the same three months' period you broke up the year and will have one section of your industry reporting for the first three months?—A. Yes.



Q. And the next section for the next three months, and another section for the third three months?—A. Yes.

Q. And the last section for the final three months?—A. Yes.

Q. That is the method, I understand, that is followed by you in getting your reports?—A. Distribute them over the year.

Q. And you take that report—one industry may be making a report to you for January, February and March while another industry in another branch or another group may be reporting for October, November and December?

*By Mr. Factor:*

Q. It does not give us the factor of what the average weekly wage is?—

A. No, it does not.

The CHAIRMAN: It does not. He has not got the information.

*By Mr. Ilsley:*

Q. Does any industry know in advance what three months they will have to report for?—A. No; although after collecting them for ten or twelve years they know approximately it is going to October, November and December or perhaps, September, October and November. We have not said rigidly that it must be for those three months.

*By Mr. Sommerville:*

Q. Does not the same group report for practically the same period?—

A. Round about the same period, yes.

*By the Chairman:*

Q. They could put their house in order nicely in anticipation of that, could they not? Do you think that has been done at all?—A. No, Mr. Chairman, I do not think so.

Q. Are you quite satisfied?—A. Yes. Frankly—there might be some shyster firm, shyster manufacturers, advertising men and lawyers and so on, but taking them—

Mr. SOMMERVILLE: Speak for yourself.

The WITNESS: I did; I said advertising men; but taking them by and large, I do not think so, Mr. Chairman.

*By Mr. Factor:*

Q. They have seasons; they cannot make the season when the season is not there?—A. No, and they are busy, and they are hard put to get their operators at that particular time.

*By Mr. Sommerville:*

Q. Your report may not be for the particular season in that particular industry?—A. No, it may not be.

*By Mr. Ilsley:*

Q. You spoke of employees under eighteen years of age; are there any child labour laws in the province of Ontario?—A. Oh, yes, the Adolescence Act takes care of girls up to sixteen. I do not know that we have a single girl in our reports under sixteen. We do not recognize them, and if we come across them we report them. The only way she can work under sixteen is with a permit from the Adolescent administration.

Q. Do your records show that portion of those under eighteen in the employ of each industry?—A. Yes, we are dealing with one now. For instance, in the total number of employees in this particular industry there were 7,154—of the 7,154 there were 7,027 over eighteen years of age.

Q. What industry is that?—A. Needle trades. 127 under eighteen.

Q. Is there any trade in which those under eighteen predominate?—A. Yes, a little more, but by and large if you will please name them I will be glad to read any industry.

*By Mr. Sommerville:*

Q. This report contains that pretty fully?—A. Yes; but the proportion of young girls working is very small especially during depression conditions. It runs more to the older women and married women.

*By Mr. Ilsley:*

Q. Do the records show the number of married women in these industries?—A. We kept them for a matter of five years and then decided that they meant nothing to us so far as rates were concerned, so we did not clutter up the questionnaire with matters of that kind, we put in more important ones.

*By Mr. Sommerville:*

Q. This morning I was asking you about false records kept by any firm. Was that a factor in the firm that was fined \$200?—A. Yes.

Q. And had that firm been reported previously as getting a clear sheet, and then did you subsequently send in and make a careful inspection and find the falseness?—A. The only way we could find that the books were not correctly kept—I will not say I know they were deliberately falsified.

Q. They were false records—entries?—A. No. I am not so sure of that, Mr. Sommerville. We had to send in an auditor and the auditor was able to dig up the figures. Now, there was a question, a difference of opinion as to whether the firm worked fifty-four or forty-four hours. If they were working fifty-four hours a week there was not a question of its falsification; if they were working forty-four hours only, then there was. That point was never settled because he pleaded guilty and paid the fine.

Q. In other words, this \$12.50 being based upon the usual hours of work in the firm, if the firm changed the hours from forty-eight to sixty hours, we will say, then they could change the basis of the hourly rate for the women?—A. Yes. In other words, if they declared the factory's work period sixty hours and only worked forty-eight and paid forty-eight-sixtieths they were deliberately violating the minimum wage law.

Q. They did plead guilty and paid some \$1,700?—A. Yes.

Mr. FACTOR: Arrears of pay?

*By Mr. Sommerville:*

Q. Arrears of pay?—A. For the month of October. Arrears? Oh, no.

Q. How many months did that cover?—A. There were fifty-two employees and it covered eight months.

Q. That firm was convicted? This is a matter of record—A. Pled guilty.

Q. What firm was that?—A. The Ontario Boy's Wear Limited.

Q. They operate at Toronto?—A. They do.

Q. I presume that the checking up of such a discrepancy being a book-keeping matter, an auditing matter, would require expert help—A. It did.

Q. —to detect it?—A. Yes. We sent an expert auditor in. By the way, Mr. Chairman and Mr. Sommerville, I would like to correct one misunderstanding—

ing this morning. When Mr. Sommerville asked me if we had initiated any investigation I thought he meant if we initiated them or carried them on year in and year out.

Q. That is what I did mean. I have no doubt that some of the members of your board would visit plants from time to time?—A. Mr. Fester has visited every plant in Toronto, Hamilton, London, Ottawa, Windsor, Chatham, Kitchener, Guelph, Galt, Niagara Falls, Belleville, Brockville, Sault St. Marie, Fort William, Port Arthur, Kenora, St. Thomas, Trenton, Dundas, Cornwall, Orillia, Midland, Oshawa, Woodstock, Ingersoll, Grimsby, Burlington.

Q. He spent a busy twelve years?—A. He has indeed, and I carried on while he was away—not only inspected their payrolls but interrogated employers as well as the employed; and in the city of Toronto he goes around to most of the plants every year.

Q. What I had in mind was that I thought the committee desired to know if you made it a practice to have the inspectors go in every year into every plant or at off times in the year, at unascertained periods?—A. No. When he goes in he blows in. He does not give any notice.

Q. Are you going to suggest some recommendations?

*By Mr. Factor:*

Q. I understand apprentices are exempted from the Minimum Wage Act?—A. No.

Q. What is the position of the apprentice?—A. We have two. In the printing trades if a girl is an apprentice in a proper fashion—that is indentured—the firm signs the agreement, the girl signs the agreement and the Minimum Wage board signs the agreement—if she comes under a special dispensation. The other probationary period is in the millinery trade—the custom millinery trade, not the factory millinery trade; it is a better, artistic, creative occupation.

Q. You mean there is a lower schedule?—A. A little lower. In order to prevent the possibility of girls being kept out from learning the millinery trade it was pointed out unless we did this there would be no girls taken in as beginners in the millinery trade.

*By Mr. Sommerville:*

Q. Are there some dispensations granted by your board under which less than the minimum wage is allowed to be paid to certain girls?—A. Yes.

Q. Under what circumstances are these dispensations allowed—on how many dispensations, briefly?—A. We are allowed to give special permits to those who are physically and mentally handicapped and to women over sixty years of age. It is perfectly obvious with a woman over sixty that she is slowing up at that time, or some are at any rate. We guard them very carefully, very carefully. Last year we issued ninety permits only covering 116 employees. Now then the employee is fully interviewed by Mr. Fester, Miss Stephen and Mr. Odell.

Q. Is it a permit to an employee and not to a firm?—A. All three have to sign it.

Q. When you say 190, that covers 190 employees, not 190 firms?—A. No, only 90 firms; and unless the girl is perfectly satisfied she is not pressed nor do we listen to the importunities of the employer.

Q. Are there any permits granted under which the period of hours of labour is extended over sixty hours for the week?—A. Oh, no.

Q. That is definite?—A. Oh, no, not by our board. Of course, under another act, the Factory Act, they have that privilege but we have no control over them.



*By Mr. Factor:*

Q. You also grant permits to suspend the regulations in exceptional circumstances, I notice in the memorandum here?—A. The exceptional circumstances are physical and mental handicap or women over sixty years of age. On any other grounds we have not granted a permit—not more than three permits in the last three months.

*By Mr. Sommerville:*

Q. What are your recommendations?—A. I do not think, Mr. Chairman, that it will take me more than five minutes more if you will let me read what I have incorporated in my annual report to the government of Ontario. It will reflect the whole situation although there may be a little repetition:—

The work of the Minimum Wage board involves, always a consideration of many problems that arise from time to time in connection with the operation of the law. The past year, in particular, has produced many problems of an intricate nature, which the Board has not had to face during previous years.

It has not been an easy year. Perhaps, during 1933, we have felt the accumulated effect of the last few years of depressed industrial conditions. In many cases, it has marked the final disappearance of surpluses accumulated by industrial concerns over the period of prosperous years. The resultant necessity of lowering wage levels as a partial means of reducing overhead and overdrafts, and the cutting of wages by some firms to rates beneath our modest levels, in a last desperate effort to keep out of bankruptcy, were two of the major causes that made the task of the Board a difficult one, taxing to the limit the time, judgment and ability of its members. With the advent of better times, following a definite turn towards industrial recovery in this country, the board anticipates that these problems will become less acute in the coming year, and that organized industry throughout the province will recognize the importance of protecting their employees, and especially women employees, by making the payment of adequate wages the first step in the process of rehabilitation.

It is idle to deny that during the past few years the spectre of unemployment has stalked abroad throughout the world. In this country as in other nations, and in this province, the effect of the depression upon employment conditions has been seriously felt, and, although the future shines with a brighter promise for the worker, it will be some time yet before industry can absorb, in the process of recovery all the men who depend upon it for a livelihood.

With their men-folk out of work, it frequently happened that the women of the household were the only breadwinners in the family. Naturally the wages these women received were more closely scrutinized than they would have been under normal industrial conditions. Consequently, the assistance of the board has been sought more than ever before.

More than that, the Minimum Wage law and the measure of protection that it affords to women workers, has now become generally known, with the natural result that cases of alleged under-payment are being brought to the attention of the board in increasing numbers, not only by those who consider themselves underpaid, but also by some who think others are being underpaid.

It might be well to emphasize this point. The chief duty of the Minimum Wage board is to protect the wage rates of the women and girls of the province. They are the special clients of the board and when any complaint comes, anonymous or otherwise, that alleges under-

payment of a woman or a girl in Ontario, it is the bounden duty of the board to respond very promptly and to institute all the necessary enquiries to see that justice is done according to law. This duty we have endeavoured to carry out.

The board does not feel that it is bound to prosecute employers who, unwittingly, offend against its orders, and so long as such firms, on request from the board, bring their wage rolls into complete conformity with the law, and pay such arrears to their employees as may be found due, the board feels that it should be satisfied.

But, on the other hand, the board promptly and vigorously prosecutes (and will continue to do so) all employers who, after warning, are guilty of dereliction and who are not inclined to obey the regulations laid down by the board. In this connection, the board is gratified to know that the government of the province is solidly behind the board in its determination to enforce the law without fear or favour.

"The board decided for the first time during the past year to collect wage returns from seasonal canneries, seasonal tobacco plants, co-operative fruit and vegetable associations and office workers, outside the city of Toronto. These payrolls, upon examination have disclosed many interesting facts which will enable the board during the coming year to enforce its regulations more effectively in these occupations. It is the conviction of the board that it is only fair that employers who pay good wages of their own free will, and not because they are compelled to should be protected from the illegitimate competition of those who are not governed by similar ideals. In the pursuance of its duty in administering the Minimum Wage law, the board hopes to achieve this purpose.

"The experience of the board during 1933 has made it apparent that some amendments to the Act are desirable, and it is the intention of the board to ask the government to bring such amendments before the 1934 session of the legislature. These amendments, primarily, will have to do with the number of hours for which the rates fixed under the orders of the board are to be paid, and the length of time for which arrears may be collected. The board also desire to suggest to the government that the women workers of the province should be still further protected in their jobs by the inclusion of men and boys in any of the orders issued by the board."

Q. By that you mean that women who are now subject to a minimum wage law and men not being subject to that law there is a danger that women may be discharged and men put on at cheaper rates?—A. Yes.

*By Mr. Factor:*

Q. You are not recommending a minimum wage law for men?—A. I am not, sir—just covering the class of work our women are employed in:—

"For some years past the board has had in mind the convening of an Inter-provincial conference of Minimum Wage boards from all parts of Canada. All the eight provinces having Minimum Wage laws have expressed their willingness to attend. The chief difficulty militating against the bringing of such a gathering together has been, of course, financial, but the board intends again to press for such a conference this coming year, with the hope that possibly the Federal government may be interested enough in securing uniformity of Minimum Wage laws throughout Canada that they may be willing to defray the expense of such a meeting—to be held, if possible, in Ottawa in 1934."

*By Mr. Ilsley:*

Q. In framing your regulations under your Act, did you have regard to regulations made under the acts of other provinces to the end of their having any competitive advantage in the interest of one province and at the expense of another?—A. No, sir.

Q. What do you want an inter-provincial conference for?—A. If we have an inter-provincial conference it will be a matter of experience, discussion and agreement.

Q. You say you feel that uniformity is desirable, and I gather you did not make any effort to get uniformity. You say you did frame your regulations?—A. We cannot. It is based upon the cost of living. Whether it would be possible to fix a rate in Toronto that would stretch across Canada will depend as a result of our conference to find out whether the cost of living in the Maritimes is the same as in British Columbia. It is based on the cost of living only.

Q. If you had a situation like this, where the minimum rates in the province of Quebec, for example, were allowed advantages in that way, would not that put the manufacturers of Ontario at a comparative disadvantage as compared with those nearby?—A. Yes, it might. We have no control over Quebec, nor would we have any influence.

Q. Have you worked together?—A. We have had at least a dozen conferences with the district chairman of the Quebec Minimum Wage board and I have endeavoured to help him and he has endeavoured to help me. I think I may say he has helped me in many instances.

Q. Does the fact that this Minimum Wage law is under provincial jurisdiction rather than under dominion jurisdiction give you any trouble?—A. If it were a Federal matter they could deal with the whole country right straight across. My authority is confined to the province of Ontario alone.

*By Mr. Factor:*

Q. Do you know, as a matter of fact, whether the minimum wage in the province of Quebec is lower than that in the province of Ontario?—A. Yes, I know that.

Q. It is lower?—A. Oh, no, I would not say that. You asked me if I knew. Yes. I know.

Q. Do you know if it is lower?—A. No, you asked me if I knew. I did not say I knew it was lower.

Mr. ILSLEY: He knows whether it is or not.

*By Mr. Factor:*

Q. Is it lower in the province of Quebec?—A. In some industries and some sections it is not—it is exactly the same.

Q. In some industries it is lower?—A. Yes, and maybe higher.

The CHAIRMAN: Supposing we leave that until we come to Quebec? Just get the facts.

Now, Gentlemen, we have had Mr. Stapells for a pretty long time and if there are no other questions, I would like to get on with the next witness.

Thank you, Mr. Stapells, very much for your giving us this information.

The WITNESS: Thank you, Mr. Chairman, and if there is anything more that we can do to co-operate with you, we will be only too glad to do it.

The CHAIRMAN: Thank you very much.



Mr. A. W. LAVER called and sworn.

*By Mr. Sommerville:*

Q. Mr. Laver, what is your position in the city of Toronto?—A. Commissioner of Public Welfare, Mr. Sommerville.

Q. Commissioner of Public Welfare?—A. For the city of Toronto.

Q. Is that a department of the municipal government of Toronto?—A. It is, Mr. Sommerville.

Q. And you have occupied that position since its establishment two years ago, was it?—A. In 1931, Sir.

Q. Prior to that, I understand you were the officer in charge of taxes for the city of Toronto?—A. Right, Sir.

Q. And now you are in charge of the largest spending department in the city of Toronto?—A. Either fortunately or unfortunately.

Q. At any rate, it is a fact that the Welfare Department is the largest spending department you have?—A. That is correct, Sir, yes.

Q. Now, Mr. Laver, perhaps you can tell us just what bearing this question of non-payment of adequate wages has upon the relief situation. In your city you have how many families upon relief?—A. Oh, in round figures 115,000 people, Sir.

Q. About 115,000 persons?—A. Yes.

Q. And last year, your relief budget covered what expenditure, what total?—A. The gross expenditure last year for unemployment relief only by the city of Toronto was \$6,686,933.65.

Q. And of that amount, what proportion was contributed by the province of Ontario?—A. Generally speaking, two thirds. With the exception of some non-admittable items.

Q. Generally speaking, and that two-thirds of the contribution that you get from the provinces includes the one third which is paid by the Dominion.—A. Naturally, Sir, yes.

Q. In other words, of your six and a half million expenditure upwards of four millions comes from the province and the Dominion.—A. \$4,286,142.50.

Q. And split between the two it would represent an expenditure by the Dominion of Canada and the province of Ontario of about \$2,100,000 each in the city of Toronto.—A. Yes.

Q. For unemployment relief alone.—A. Naturally.

Q. Yes. Now, Mr. Laver, what have you found in your relief organization of your welfare department with respect to the wages paid to full time workers in the city of Toronto, and whether or not they are adequate; or whether or not, they are sufficient to avoid their drawing on relief.—A. I could answer that in this way, Mr. Chairman, that the Welfare Department in the city of Toronto not only comprises the unemployment relief activities but the welfare activities of the corporation.

Q. Yes, will you elaborate that?—A. That includes hospitalization, old age pensions, and other kindred activities. The effect we have found of the small payment of wages is not only in the unemployed relief responsibilities or obligations, but has also affected materially our assistance for hospitalization services which last year cost the city of Toronto \$1,355,000.

Q. That is for hospitalization services alone?—A. It cost the city one hundred cents on the dollar.

Q. Yes?—A. And a very large part of that \$1,355,000 is attributable to the fact that a great many of the citizens who heretofore could pay at least in part their hospital care cannot do that to-day by reason of the small, or low rate of wage, they are receiving.

*By Mr. Young:*

Q. Do you mean some of the wages paid are small, or are they only employed part time?—A. In some cases, it is due to the small rates of pay for full time employment.

Q. We are quite clear that that covers a very large number of cases of full-time employment.—A. Quite, Sir.

*By Mr. Sommerville:*

Q. Then, what other welfare work is affected by the same condition?—A. Another branch of the department's activities affected materially the last two and a half years is the increased demand from the corporation for old age pensions.

Q. Yes, how would that arises?—A. We have found this, that when a member of a family who had a fairly good income through sense of pride and otherwise desires to maintain an aged parent, they are now absolutely unable to do it, and the parent is compelled to ask assistance of the corporation by way of pension.

*By Mr. Factor:*

Q. But the old age pension is a matter of right for anybody who wants it.—A. Not entirely, Mr. Factor, the financial conditions of the family and the duty under the Adults' Maintenance Act have a very large bearing on the decision of the board.

*By Mr. Sommerville:*

Q. And you say that that occurs in connection with full time employed sons and daughters who find that their whole time pay is not sufficient to maintain themselves and their parents.—A. Frequently, yes.

Q. And, therefore, the number of applications has increased by reason of that factor.—A. In Toronto at the present time there are approximately 500 recipients of old-age pensions. As you are probably aware, the cost of that pension is divided in three ways; ten per cent by the municipality, fifteen per cent by the province of Ontario, and the balance of seventy-five per cent by the federal government.

Q. Yes, now let me see, the total amount in the city of Toronto last year paid for old-age pensions was how much?—A. In round figures, \$200,000, that is the city's share.

Q. That is ten per cent of the total?—A. Ten per cent.

Q. And fifteen per cent by the province would amount to something like \$300,000; and seventy-five per cent by the Dominion would amount to some \$1,000,000.—A. Correct, Sir.

Q. Paid by the Dominion government; so that, if there is an increase in the number of applications for old-age pensions by reason of the inadequate pay of full-time workers, the Dominion pays 75 per cent of that increase and the province pays 15 per cent.—A. Correct, Sir.

Q. Is there any other factor that is affected by this low-wage situation, Mr. Laver.

MR. FACTOR: I have not heard yet from Mr. Laver, the foundation as to why there is a low wage.

*By Mr. Sommerville:*

Q. We will just see all the conditions affected by the low wage and then we will reach the question of low wages?—A. There is, Mr. Chairman, a very serious and insistent demand under the Children's Protection Act that the municipality assume the burden of wardship over an increasingly large number of children

The City of Toronto last year spent in round figures \$236,000 for the maintenance of children who were made the wards of the Children's Aid Society.

Q. Yes?—A. And they thereby become a legal and monetary charge upon the municipality.

Q. What is the rate which is paid for each child who becomes a ward of the Children's Aid Society?—A. The rate varies slightly, it is adjusted yearly by conference; but approximately 94½ cents per day.

Q. 94½ cents per child per day paid for each child who becomes a ward of the Children's Aid Society.—A. Until they become 16 years of age.

Q. Up to 16 years of age?—A. Yes.

*By Mr. Young:*

Q. Children whose parents are both living?—A. In many cases, yes.

*By Mr. Sommerville:*

Q. In those cases where there is inadequate pay received by parents.—A. And thereby creating home conditions which the Children's Aid Society deem are not suitable to retaining the child.

*By Mr. Young:*

Q. That is to say, if there are immoral conditions in the home?—A. That is a factor, but not necessarily the only factor.

Q. Are there other factors?—A. The inspectors find cases where the children are not properly fed or clothed and otherwise.

*By Mr. Factor:*

Q. Who applies for the order to make the child a ward of the city.—A. It can be applied for by the welfare organization, or by the family, the parents.

*By Mr. Young:*

Q. You furnish relief, why is there not sufficient food and other things to enable the parents to take care of the children?—A. We find we have to take the children away because there are other factors in the home besides food and clothing.

Q. What are they?—A. Immorality, which you have just mentioned; and incompatibility of the parents who are not living together satisfactorily, and the children thereby suffer, and that is frequently the result of low wages.

Q. Do you lay all that to the low scale of wages paid to-day?—A. No, not as a whole, but it is partially the cause of it.

Q. Do you think that does not occur among the rich as well as among the poor?—A. Very frequently we find insufficient funds is the first cause of strife in the household.

*By Mr. Sommerville:*

Q. At any rate you find that there has been a decided increase in this factor during the past two years, during which there has been this lowered wage situation?—A. The demand, Mr. Sommerville, has been so heavy that it requires three full-time workers of my department to resist in the courts these children being made wards.

Q. And perhaps you could give the members of the committee some idea of just what you regard as the expense involved in making a child a ward of the city; what, in your experience, has been the expense?—A. By actual experience we find that the average maintenance of a child from the time the wardship is made, it may be a matter of months, or it may be a matter of years,



I think we have found that the average cost of a wardship is \$5,000 per child during the period of wardship.

*By Mr. Young:*

Q. What is the average period of wardship?—A. I cannot tell you off-hand; as I pointed out just now, some are made wards at infancy, and some at eight or ten, or four, or five or six years of age.

Q. And you say it costs \$5,000 to put a child through; we would be interested in knowing what the average period is.—A. I have not the figures here.

Q. Can you get that for us, and have it filed with the committee?—A. We can get it, yes.

*By Mr. Sommerville:*

Q. Now then, Mr. Laver, in the course of your duties at the Department you have to deal with a great many thousands of persons who are employed and who are on relief, and have you an investigating staff that looks into the question of investigating the wages received by persons as to their unemployment condition, or their means?—A. We have, Mr. Sommerville. We have investigated every family to the best of our man power ability, and the man power ability is limited by the number of our investigators.

Q. You have about how many?—A. We have approximately 30 of an investigating staff; and we have a small branch of what we call our special investigating branch, who carry on prosecutions, and work of that kind.

Q. Then, in the course of your investigations, Mr. Laver, will you tell me what effect you found, if any, the minimum wage law has on the employment of girls and men?—A. We have found many cases, Mr. Sommerville, where the wages being paid men and women made it necessary that the municipality come to the aid of the family, in some cases to the extent of partial relief, and in other cases, where they had a large family, to the extent of full relief.

Q. All these persons were working full time?—A. Quite right.

Q. And a full week?—A. Generally speaking, or frequently; yes.

*By Mr. Young:*

Q. Did you find any cases where a family, say of five, receiving X dollars per week, could not finance on it, and another family of the same number could finance on the same income?—A. I think that is possible, I cannot recall such an instance, though.

Q. In cases where they have financed on it, you were not called on to investigate?—A. No, that is correct.

*By Mr. Sommerville:*

Q. Now, Mr. Laver, what did you find as to whether or not girls who are required to be paid a minimum wage of \$12.50 had been discharged and men employed at smaller wages?—A. You are asking me if we found such instances?

Q. Yes.—A. I say we have, yes.

Q. And, can you give the committee the kind of case which you are referring to?—A. I can cite you, Mr. Sommerville, a case in point, if that is sufficient, where an employing concern in Toronto, where girls who were employed, and a complaint was registered by one girl, that she was being paid a minimum wage and she and other girls were discharged and men taken on in their places. These men received such a low rate of pay that the city of Toronto has absolutely had to come to their rescue in the way of supplies.

*By Mr. Young:*

Q. Are there many of these cases?—A. I am prepared to cite you one specific case.

*By Mr. Sommerville:*

Q. You have one factory there; how many employees are there in that factory?—A. There were approximately 20 girls employed there at this particular time.

Q. As a result of this condition being brought to your attention, did you investigate the condition and examine the wage list of this firm?—A. We did, Mr. Sommerville, yes.

Q. And you found the girls have been discharged and men taken on in their places?

*By Mr. Factor:*

Q. All of them?—A. The girls were practically all discharged, except the retaining of a small office staff of about three girls.

*By Mr. Young:*

Q. But 17 were discharged?—A. Practically all of the operating girls on the manufacturing branch were discharged, and the office girls only were retained.

*By the Chairman:*

Q. How many?—A. Approximately 17.

*By Mr. Sommerville:*

Q. What was the nature of the product this company was making?—A. This particular firm manufactured picture frames.

*By Mr. Factor:*

Q. Is that the firm that had the strike?—A. I believe they had some labour troubles, yes.

*By Mr. Sommerville:*

Q. What is the name of that firm, could you give us that?—A. The National Picture Frame and Art Company, 822 Richmond Street West.

Q. And after they dismissed a lot of these girls, what did you find when you examined the wage role, what did you find were the wages being paid for full-time employment to the men who took their places?—A. Could I recite one or two incidents of this particular firm, I think it probably would answer your question better than I could in my own words, this particular employee, Frank "Unpronounceable" 66 Lawton Avenue, wife and five children, has received relief for one year and has worked for the company two years; he is receiving \$9.00 a week for a fifty hour week.

*By Mr. Young:*

Q. What did his predecessor get?—A. His predecessor was a woman.

Q. What did she get?

Mr. EDWARDS: She could not get less than \$12.50.

*By Mr. Sommerville:*

Q. Her minimum wage would be \$12.50.

A. I have no record of that, but the reason she was discharged was the complaint that she was not receiving the minimum wage of \$12.50 per week.

Mr. FACTOR: It is not likely that she was getting \$12.50 per week.

*By Mr. Sommerville:*

Q. Can you give us any other cases?—A. Do you think I should mention names? The next instance, Mr. Sommerville, is a widower with four children

who has been receiving city relief for the past nine months. He has worked for the company two years, receiving fifteen cents an hour for a nine hour day.

Q. Fifteen cents an hour?—A. Right, for a nine hour day.

*By Mr. Factor:*

Q. Was that before or after the strike?—A. Before the strike.

Q. Some of these men were on strike?—A. Some of these men, Mr. Factor, yes. The next instance is this, "Wife and four children, has received city relief for nine months"; he has worked for the company nine years and is receiving \$10 per week.

*By Mr. Young:*

Q. This man could not have been taken on in place of the girls.—A. He was not.

Mr. ILSLEY: How long is a week.

Mr. SOMMERVILLE: A fifty-hour week.

The WITNESS: There is a list here of 13 names of boys. The following names of men or boys employed by the company are not on relief on our records, at least, under these names. They are receiving 10 cents an hour, 12 cents an hour, 12 cents an hour, 10 cents an hour, 12 cents an hour, 12 cents an hour, 12 cents an hour, 10 cents an hour, 12 cents an hour, 12 cents and 14 cents respectively.

Q. For a fifty hour week?—A. Yes.

*By Mr. Factor:*

Q. How old are these boys?—A. The ages are not given.

*By Mr. Edwards:*

Q. Does this firm do retail or sell directly—A. As far as I am aware, wholesale only.

Q. They contracted with certain firms for their product?—A. I understand their output is retailed through other channels.

*By Mr. Factor:*

Q. This is a picture frame concern?—A. Yes.

*By Mr. Somerville:*

Q. They retail through chains and departmental stores?—A. Retail trade, some way or other.

*By Mr. Young:*

Q. Not through retail, all through wholesale?—A. I do not know the channel of output, but I do not think it is retailed by themselves.

Q. Do you think that it is always through chain stores or departmental stores?—A. I am not suggesting that, sir; I do not know where it goes through.

*By Mr. Factor:*

Q. I was under the impression that this firm has men who are not employed, but who are paid a certain sum on condition they bring in the business of picture framing, and they frame the picture for them?

Mr. EDWARDS: They bring in work the same as any other agent brings in work, presume; they solicit business.

Mr. FACTOR: Exactly.



*By Mr. Factor:*

Q. Does it go through a wholesale jobbing firm, or a departmental store, or does it go through the ordinary retail channels? I mean, directly through retail channels?—A. I cannot answer that question.

Q. It would be well to find that out?

Mr. KENNEDY (Peace River): It would not make any difference from the standpoint of wages.

Mr. SOMMERVILLE: That will be the subject of inquiry.

*By Mr. Sommerville:*

Q. You have given us a list of nine; have you the hours and the names of the men who were employed in the plant. These are the known nine that were employed to take the place of girls.—A. These names I read to you last, Mr. Sommerville, were men and boys who were not in receipt of relief.

Q. They say they are on full time pay?—A. Taken off their payroll.

Q. These that are on relief, the city of Toronto, the province of Ontario and the Dominion of Canada, are contributing to the cost of maintenance of their families?—A. They are receiving at least partial relief and in some instances full relief, depending on the size and circumstances of the family.

Q. In other words, you are subsidizing that firm with respect to the wages that are so inadequate for these men?—A. To a more or less degree, yes.

Q. As against legitimates concerns in the city that are paying an adequate wage to their employees.

Mr. YOUNG: Are there many firms in that position?

*By Mr. Sommerville:*

Q. I have asked you to give me some samples of the kind of thing that you have to deal with of a similar character. Have you some there, Mr. Laver?—A. I have something here, Mr. Sommerville, that I think will probably answer your question.

Q. How many examples have you there?—A. I have a list of 41 firms,—I do not think there are 41, 38 or 39 different firms, the list includes 41.

Q. 41 different persons who are on relief?—A. No, 41 different persons who are on relief and employed by 38 different firms.

Q. Are these 41 persons that are on relief on full time pay?—A. In every instance but one.

Q. So that you have 40 of the 41 on full time pay?—A. Yes.

Q. And the full time pay is not adequate for the maintenance of the family?—A. As I pointed out before, Mr. Chairman, the amount of assistance the municipality renders to a family must be considered. You must take into consideration the circumstances of the particular family. Where \$9 might maintain a family of two or three people, it might not in many cases maintain a family of five or six or seven children; so that in these cases the rate of wages, or the wages earned, vary from \$5 per week to a maximum, I think, of \$12 per week.

Mr. FACTOR: For male employees?

Mr. SOMMERVILLE: Male employees.

The WITNESS: All male employees. Excuse me one moment until I see if I am right.

*By Mr. Sommerville:*

Q. I see one or two girls in the list.—A. Yes, there are one or two girls, Mr. Factor, yes.

Q. With the exception of one or two girls, or women, this list includes men who are working full time in those various firms?—A. There are only 7 in this list not men.

Q. There are 7 on the list who are not men, which leaves 34 men.

*By Mr. Young:*

Q. When you say "not men," do you mean women or boys?—A. No, I mean men, heads of families.

Q. But you spoke of some getting \$5. That would be boys, would it not?—A. No, heads of families.

Mr. SOMMERVILLE: These are all heads of families, with the exception of 7.

Mr. FACTOR: And all working full time except one.

*By Mr. Sommerville:*

Q. Now, in regard to the rate of wages, perhaps you could give me some samples of the kind of industries in which you found this inadequacy of pay, Mr. Laver.—A. The first one, Mr. Chairman, I found, is a restaurant, and the rate of wages for 12 hours daily is \$9 per week.

Q. Six days a week, 72 hours?—A. The next incident I have is a chain grocery store, grocery and meat, probably. That is a special report I have on it. The rate of pay on that was \$12.50 and \$10.

Q. Why do you say 12.50 for one?—A. For a week.

*By Mr. Factor:*

Q. How many hours?

*By Mr. Sommerville:*

Q. You have a special report; what is that?—A. "I was paid at the rate of \$10 per week for three weeks, and after asking for a raise, finally was given one dollar, making my salary \$11 per week."

Q. Full time pay?—A. For full time pay.

Q. For how many hours?—A. Full time the store was open. No stated hours. These particular stores are open in the evening quite frequently. "At the time of entering their services I was on city relief, and when asking for my raise explained to the chief supervisor that I was on city relief and that I liked to be getting enough wages to enable me to give up my relief supplies; but he told me that until business picked up, he could only give me \$1 raise. At the time the city of Toronto put the voucher system into effect, my supervisor insisted on us working at night to get prepared; but I had already prepared relief packages, and when I protested against working at night, especially owing to the fact that my wife was ill, he said the other men would be willing to do my work for less than I was receiving, and when I remarked they would not get the work I had done from the other men at the rate I was receiving, I was told by the supervisor that I had no kick coming, as I was getting city relief besides my wages, which was as good as \$15 or \$16 per week."

*By Mr. Young:*

Q. He was the only man that was getting a small wage; is that so?—A. He is making that statement regarding himself. This is a signed declaration, Mr. Chairman.

Q. I understood you to say that the other man in the store did not do the work he was doing for that price?—A. No; he told his supervisor that he could not get men to do the work he was doing at the price he was getting paid.

*By Mr. Factor:*

Q. Did you investigate the rate of wages of the other employees from that particular concern?—A. I have not, Mr. Factor.

Q. You have just given us this one isolated case?—A. Just a declaration as to his own income; but he also makes a statement here in regard to his co-workers, who he said did clerking and was receiving \$10 per week salary.

*By Mr. Sommerville:*

Q. By the way, these 41 cases are illustrations that you have prepared by request?—A. Just.

Q. They are just samples?—A. Samples of many. Forty-one is not, by any means, the number we have had.

*By Mr. Young:*

Q. You said one was a restaurant, one a chain store, what are the others? Give us the occupation of them all.

The CHAIRMAN: We are going right through the list.

*By Mr. Factor:*

Q. Before you leave the chain stores, is there any objection to knowing what chain store that is?

Mr. SOMMERVILLE: I do not see any.

Mr. FACTOR: Let us have it.

The WITNESS: That particular chain store is the Stop and Shop concern. The next concern is a woollen goods manufacturer, the Smith Manufacturing Company. I think they make or manufacture woollen goods, Shoddy Textiles. It is a mill, Mr. Factor. Probably you are familiar with it. It is on Front street east.

Mr. EDWARDS: You would not dignify that by the name of woollen goods.

The WITNESS: Incidentally, the Smith Manufacturing Company pay this particular man \$8.80 per week.

*By Mr. Sommerville:*

Q. How many hours?—A. Full time, whatever it may be—40 hours per week. The next concern is a rag and metal company.

*By Mr. Factor:*

Q. Mr. Laver, did you investigate the wages of any other employees of that concern?—A. No, sir. The public welfare department in Toronto is not concerned with that feature of it at all.

Q. You are merely taking these cases and producing these facts in connection with those particular cases.—A. My interests, Mr. Factor, is the protection of the city of Toronto in the matter of expenditure of relief. So far as I am personally concerned, or the city is concerned, the minimum wage is another thing entirely.

Mr. SENN: Would you say that that was a skilled labour?

*By Mr. Sommerville:*

Q. You have a declaration of the facts in each case. Perhaps if that was referred to when you are quoting these cases you could tell who it was, and what his position was?—A. I am going to answer that question right now. "I am employed by the Smith Manufacturing Company, Front street, who are manufacturers of shoddy textiles, and further state that I work 40 hours per week operating a machine." That is his declaration.

*By the Chairman:*

Q. He receives relief from the city of Toronto?—A. Yes.



*By Mr. Factor:*

Q. \$8.80 per week.—A. He also makes the statement, "There are roughly 75 employees who are receiving the same rate of pay, and most of whom are on relief". That is a general statement.

*By Mr. Young:*

Q. Can you tell us what the duty is on that product, Mr. Laver?—A. He operates a machine, that is all I can tell you, Mr. Young. I misunderstood you; I thought you said, what his duties were.

Mr. FACTOR: Mr. Young is very much interested in the other kind.

Mr. SOMMERVILLE: Yes.

The WITNESS: The next case—

*By Mr. Sommerville:*

Q. Just before passing to that case; in a case of that kind, Mr. Laver, do you adopt the policy of going to the firm and asking them to tell all of the complaints and of the applications for relief?—A. Not necessarily; in some instances we do.

Q. But in the majority of cases what would happen if you did go to the firm?—A. Well, my reaction to that would be this: the provincial government have ruled that a person entitled to unemployment relief is one who has no suitable employment; and the legal opinion of our corporation counsel is that suitable employment means sufficient earnings to maintain his family somewhat in keeping with the usual mode of living.

*By Mr. Young:*

Q. If a man has been used to living well, what then?—A. "Somewhat in keeping" I said. We have some discretionary powers; but my reaction is this: if that man is earning \$5 or \$6 or \$8 per week, it only requires the municipality and the two governments to assist that family partially. If we complained to the firm and he might be discharged, probably he would, then the municipality and the governments are required to assist that family entirely.

*By Mr. Factor:*

Q. Did you ever go to any of those employers and point out the inadequacy of the wages paid in a tactful manner and try to convince them of the inadequacy of them?—A. I would answer you, Mr. Factor, this way; it is not our business and another factor is that we have not a staff to do such work.

Q. Did any of those employers give you any reason for paying those low wages? Take the illustration you have given us, the last one, did they assign to you any reason for paying a very low wage?—A. No. I cannot answer your question, Mr. Factor, except to say this: that we have verified from the firms the statements these employees make.

*By Mr. Sommerville:*

Q. As to what they are getting?—A. Yes.

*By Mr. Factor:*

Q. Did you verify any of those circumstances?—A. They are all verified.

Q. Was there any reason given by the employer?—A. None.

Q. No reason at all?—A. No, sir. I will give you one case further down that might answer your question.

*By Mr. Sommerville:*

Q. Give us the next one.—A. The next one is a rag and metal company.

*By Mr. Young:*

Q. You mean someone gathers those things up?—A. Yes, for resale. Working full time, fifty hours per week, \$5.50 per week. The next one is a shoe manufacturing concern—not shoes, slippers or something of that kind. Full time, \$9.44 per week.

*By Mr. Ilsley:*

Q. What is full time?

*By Mr. Sommerville:*

Q. What firms are they to which you refer, that \$5.55 a week?—A. \$5.50 per week, Western Rag and Metal Company.

Q. And the next firm?—A. Colonial Manufacturing Company. They are on Adelaide St. west, a firm that makes slippers.

*By Mr. Factor:*

Q. The Colonial Manufacturing Company have assigned; you are aware of that?—A. Yes. This man is employed by the Colonial Manufacturing Company. "I have been employed for the past five years and have been working steady for this firm from 8 a.m. to 6 p.m."

Q. Five years?—A. Yes.

Q. And he gets what?—A. \$9.44, sir.

Q. Does he operate a machine there?—A. "I have been employed by the Colonial Manufacturing Company, Adelaide street west, Toronto, manufacturers of boots, shoes, etc." He does not say what his particular occupation is.

*By Mr. Boulanger:*

Q. Has he got the same wages all during those five years?—A. For a period of 17 consecutive weeks, at least. Omit one for one a minute. The next one is a service station.

*By Mr. Factor:*

Q. Gasolene?—A. Gasolene service station, working full time, sixty-four hours a week, \$10 per week.

Q. 64 hours?—A. 64 hours.

Q. What is the name of the company?—A. Gerber Red Indian Service Station.

Q. What gasolene do they sell, do you know?—A. I could not answer your question; Red Indian, I presume though. It is a product of McColl-Frontenac, is it not? The next item, Mr. Chairman, is National Grocers, Toronto.

*By Mr. Young:*

Q. That service station, is that run by the McColl-Frontenac or a private individual?—A. I would say by a private individual.

*By Mr. Sommerville:*

Q. Yes?—A. This man worked 50 hours per week.

*By Mr. Factor:*

Q. The National Grocers, do you mean?—A. Yes, the National Grocers, Limited.

Q. They are wholesale grocers?—A. 50 hours per week, \$9.10. The next one is—

*By Mr. Young:*

Q. How many employees for the company have you in your list, only one?—A. We don't know them as such. It is the individual we deal with.

Q. You know what company he is working for when he applies for relief, don't you?—A. We don't tabulate them as such; we have 30,000 families to tabulate, and we have them tabulated both as to street and name.

*By Mr. Sommerville:*

Q. There might be 20 or 50 from one firm? These are just samples.

MR. YOUNG: If you are going to investigate malpractices of these firms, we should know whether there is one man or more than one.

THE WITNESS: I could say this, if any of these firms submit to the department a list of their employees, we could tell in a few minutes how many were on relief or not.

*By Mr. Factor:*

Q. Do you know what the particular duties of that man were, at the National Grocers, who was receiving \$9.10?—A. Yes. "I have been in the employ of this firm for approximately eight weeks, that I worked from 7 a.m. until 5 p.m. as grocery clerk, occasionally later than 5 p.m., five days weekly, and Saturdays from 7 a.m. to 1.00 p.m., occasionally later than 1.00 p.m.; that I am paid weekly at a rate of pay that figures out at about \$35 per month. For the week ending June 3, 1933, I received \$9.10. For the week ending May 27, I received \$8.70."

Q. In all these cases, the employers practically confirm the wages paid?—A. In many cases they are investigated and confirmed by the employer. The declaration is sworn to, in every instance.

*By Mr. Young:*

Q. Is this National Grocers company a chain store or a wholesale house?—A. A wholesale house.

*By Mr. Sommerville:*

Q. What is the next item?—A. The next item on the list is an employee of the National Picture Frame Company.

Q. That is the firm we have already dealt with?—A. It is covered by that large list I submitted in the early part. The next one is the Queen City Paper Company, full time employee, 45 hours per week, \$5 per week.

Q. 45 hours?—A. 45 hours.

Q. For \$5?—A. \$5 per week.

*By Mr. Factor:*

Q. What are his duties?—A. He is a labourer.

*By Mr. Young:*

Q. What does the company do, are they manufacturers?—A. The Queen City Paper Company?

MR. FACTOR: I think they sell paper and twine.

MR. YOUNG: They are dealers, not manufacturers.

MR. SOMMERVILLE: They may rule and may do some other things in connection with paper.



Q. What is the next?—A. The next one is the Toronto Electric Supply Company. That is a firm, I presume, handling electric fixtures, wiring material and so forth. 48 hours per week, full time, \$7 per week.

Q. \$7 per week?—A. Yes.

*By Mr. Young:*

Q. Are they retailers?—A. I would say so. There are very few electrical manufacturers outside of two or three large concerns.

*By Mr. Sommerville:*

Q. This is a manufacturing company, is it not?—A. Electrical supply company.

Q. Next?—A. Queen City Cooperage Company, full time, 55 hours per week, \$5 per week.

*By Mr. Young:*

Q. What are they doing, manufacturing?—A. The cooperage company?

Q. Yes?—A. They make barrels, I presume.

*By Mr. Sommerville:*

Q. What is the next?—A. Rapid Grip & Batten Company; they are stereotypers.

Q. Electrotyping?—A. Yes.

Q. Electro platers, engravers?—A. Yes, work of that kind. A full time employee, 50 hours per week, \$7.20 per week.

Q. Since reduced, is it not?—A. Reduced from \$7.20 to \$5 per week just recently.

Q. \$5 a week now?—A. Yes.

Q. What is the next?—A. The next item is another employee of the National Picture Frame Company?

Q. The National Picture Frame Company again?—A. Yes.

*By Mr. Factor:*

Q. In this case of the Rapid Grip & Batten Company, did you interview the company about this particular case?—A. Not necessarily; the declaration is here.

Q. Yes. I know that; but was there an interview of the company and was there some explanation sought for this rather ridiculously low wage?

*By Mr. Sommerville:*

Q. How long has he been there; the declaration would show?—A. "I have been employed by the Rapid Grip & Batten Company, Limited, 181 Richmond street west, for the past 2½ years and I am still employed by that firm, that I am married and have a wife and child dependent upon me, that my wages as messenger with the aforesaid firm for a full week of about 50 hours amounts to \$7.20,"—being employed as messenger.

*By Mr. Young:*

Q. He was employed as a messenger?—A. Yes.

*By Mr. Factor:*

Q. There was no explanation made by the employer to you?—A. None that I know of.

*By Mr. Sommerville:*

Q. The next item?—A. The next item is Cosgrave Brewery.

Mr. FACTOR: Now we are coming to a very interesting subject.

*By Mr. Sommerville:*

Q. What are the particulars?—A. Full time, \$8.82 per week.

*By Mr. Factor:*

Q. How many hours?—A. It does not disclose the number of hours; just a full time employee, whatever that may be.

Mr. SOMMERVILLE: The declaration will show.

The WITNESS: This man has five dependents.

*By Mr. Factor:*

Q. What does he do?—A. It does not disclose that, just an employee.

Q. He does not taste the beer, does he?—A. That is a supplementary food. The next one is J. N. Day Company. I am not aware what their business is.

Mr. FACTOR: They make signs.

The WITNESS: I don't think that is the firm at all.

Mr. FACTOR: Display signs.

The WITNESS: No, I do not think that is the sign firm. It does not disclose the nature of their business.

Mr. SOMMERVILLE: No, not the sign business.

The WITNESS: I don't think so; no, it is not the sign firm.

*By Mr. Sommerville:*

Q. What about that company?—A. \$6 to \$9 per week.

*By Mr. Young:*

Q. You don't know what they do?—A. It does not disclose that.

*By Mr. Sommerville:*

Q. What is the next?—A. Bolter Cap Company?

Q. What do they make?—A. Caps.

*By Mr. Young:*

Q. Caps for men or bottles?—A. Full time—

Q. I want to know, Mr. Laver, what they make?—A. The Bolter Cap Company—no, not bottles—men's caps.

Q. And they are how much?—A. \$6 to \$8 a week, this particular man.

Q. Full time?—A. Full time, yes.

*By Mr. Senn:*

Q. Would that be piece work, Mr. Laver?

*By Mr. Sommerville:*

Q. How long has he been with them?—A. Yes, that is piece work, and he has been employed for four years; four years with that firm.

*By Mr. Factor:*

Q. What do you mean by piece work and full time?—A. I presume the full number of hours per day.

Q. Well, if it is piece work, he gets paid as much as he produces; I mean, I cannot understand the statement about full time and piece work.

The CHAIRMAN: Surely he might be working full time, and only earning what he says.

The WITNESS: As I understand the situation, the factory is open from eight to five; those are their operating hours.

Mr. EDWARDS: They will not allow a machine to stand idle.

Mr. SENN: Have to work that many hours to earn that much money.

The WITNESS: The next one is a restaurant, the Savarin restaurant. I think that is a small restaurant in the west end of the city.

Mr. FACTOR: No, it is a large restaurant on Bay street.

The CHAIRMAN: Don't get the name wrong.

Q. What is the name?—A. The Savarin restaurant. It is the one on Bay street.

*By Mr. Factor:*

Q. That large restaurant on Bay street?—A. Yes.

Q. That is where I have my lunch.—A. A full time employee, he discloses his entire earnings, and that must include his tips if his declaration is correct, as \$10 per week.

Q. They only have female employees as waitresses; that must be a dishwasher.—A. Kitchen help, probably.

Q. Kitchen help?—A. Yes. He states his earnings are \$40.

Q. Is that kitchen help or dishwasher or what is he?—A. Kitchen help, yes.

Q. How much a week?—A. \$10 per week.

Q. The next one is Douglas Baker; this man is only employed four days per week, but he works 48 hours in the four days and he earns \$8.

*By Mr. Sommerville:*

Q. What is the next?—A. Toronto Feather & Down Company, pillow manufacturers, et cetera, \$10.50 per week.

Q. They are manufacturers of quilts and pillows?—A. Quilts and pillows; \$10.50 per week.

Q. For how long has that man been there?—A. Nine years with the company and his entire earnings \$10.50 per week.

*By Mr. Factor:*

Q. That does not mean that he made \$10.50 per week during the nine years, does it?—A. The 30 days preceding January 30 of this year, he declares that as his entire earnings. The next item is the Toronto Co-Operative Bakery Company, a full time employee earning \$9 per week. Next, the Midland White-wear Company, a full time employee at \$6 a week.

*By the Chairman:*

Q. Is that a manufacturing concern?—A. Yes, they are a manufacturing concern.

Q. Where do you suppose they would market their goods; have you any idea?—A. I have no idea, Mr. Chairman.

*By Mr. Young:*

Q. Is that woollen or cotton they manufacture?—A. Whitewear? Cotton.

Q. That would be garments, would it?—A. Whitewear, manufacturing made-up garments.

Mr. FACTOR: I think it would be well to know in each instance what the duty of each particular man is.



*By Mr. Sommerville:*

Q. Perhaps Mr. Laver can give us as near as their declaration will permit, what their duties are.—A. We are not entirely concerned with that, Mr. Chairman.

Q. But you may have it, if we have to have it?—A. Yes, as a department.

Q. This girl was an operator?—A. This is a girl, in this case. The next one was a grocery employee, Draper's grocery, full time, \$6 per week.

*By Mr. Young:*

Q. A man?—A. Yes, a man.

*By Mr. Sommerville:*

Q. What is the next?—A. The next one is the Warsaw Bakery, full time, \$6 per week. The next is a girl, a female, at a hairdressing establishment. She is a hairdresser. C. Allen is the employer; a full time employee, \$7 per week.

*By Mr. Factor:*

Q. A female?—A. A female.

*By Mr. Sommerville:*

Q. What is the next?—A. Canada Packers, full time employee, \$10.50 per week.

Q. That was a man?—A. That is a man.

*By the Chairman:*

Q. What would his duties be?—A. Shipper. Seven years employed there, and he is employed now as a shipper.

*By Mr. Factor:*

Q. Canada Packing Company?—A. Canada Packers, Limited.

*By Mr. Sommerville:*

Q. And the next?—A. The next one is a female employee of the T. Eaton Company, full time, \$10 per week.

Q. Does it say what her duties are?—A. Operator.

*By Mr. Young:*

Q. What kind of operator?—A. I presume in the factory, manufacturing in some line of goods; an operator on some machine, I imagine.

*By Mr. Sommerville:*

Q. Do you know what line of goods?—A. No, it just states operator.

*By Mr. Kennedy (Winnipeg):*

Q. A case of that kind, where it would come under the minimum wage law, would you report that case to the Minimum Wage Board?—A. We have not made that a practice, no, for the reason I expressed before, that we have no desire to have these people lose their employment and come to the city for full relief.

Q. You do not make a practice of reporting infractions of the minimum wage law?—A. No.

*By Mr. Sommerville:*

Q. Is it real fear these women have that they will lose their position, if reported?—A. I cannot speak about that personally, but I would think that is logical. I am not in close contact with these people.

*By Mr. Kennedy (Winnipeg):*

Q. In the case of that girl getting \$10 a week with the T. Eaton Company, if you are saving Toronto money, by reporting that case, would it not also likely be remedied?—A. I do not think that is for me to answer.

Q. In any event you do not report them?—A. We do not. We do not make it a practice.

*By Mr. Young:*

Q. Here is a company that employs thousands of women, and if you find one of them that gets that amount, you might find others; that may be quite prevalent in their factories; have you many other similar instances at Eaton's?—

A. I can only answer that question as I answered before, that we are not concerned with the people on relief from the employers' end. They come as individual citizens and they are granted relief on their merit as citizens; if they have sufficient earnings to maintain them partially, we give them partial relief.

Mr. FACTOR: Of course, this is only one side of the picture; this is an illustration of individual cases, from a certain angle, and if this information is going to be of any value to us, we have got to follow it to its logical conclusion, a thorough investigation.

*By Mr. Young:*

Q. Can you tell me if this female is living alone or has anyone dependent upon her?—A. She is a married woman. The man is unemployed, and they have a boy twelve years of age. The husband and the boy are dependent upon her.

*By Mr. Sommerville:*

Q. At the present time?—A. Yes.

Q. What is the next item?—A. The next item is the Right Way Hand Laundry, full time, \$6 per week. That is a female. The next item is a male, at the Beach theatre, a night employee, \$9.50 per week.

*By Mr. Factor:*

Q. What does he do? Is he an usher?—A. An usher, yes.

Q. \$9.50 a week and works a few hours a night?—A. I suppose he goes on at five o'clock.

*By Mr. Sommerville:*

Q. What is the next?—A. The next two items are females. The first one is the Toronto Feather & Down Company.

Q. The same company you had before?—A. Yes. Piece work, \$5 per week, for full time.

Q. What is the next?—A. The next one is George H. Hees Company, who are manufacturers of window shades; \$10 per week, full time.

*By the Chairman:*

Q. Piece work?—A. No.

*By Mr. Factor:*

Q. What does she do?—A. She is employed in the sample room, displaying goods; she would not be on piece work.

Q. A female?—A. Yes.

*By the Chairman:*

Q. Have these got dependents?—A. Five dependents. The next item is Canada Packers, full time employee, \$9 per week.

*By Mr. Factor:*

Q. Male?—A. Female.

*By Mr. Kennedy (Winnipeg):*

Q. What does she do, Mr. Laver?—A. "The bearer is an employee of our West Toronto plant, since the opening of the year—this is February 13, 1934—since the opening of the year she has lost considerable time in sickness and thus it is her average wage for the period mentioned would be about \$9 per week." That is signed by the Canada Packers.

Mr. FACTOR: It does not say what her capacity is?

*By Mr. Sommerville:*

Q. No; it does not mention the capacity?—A. No, it does not. The Woolworth company—she was a packer at the Canadian Packers.

The next case is a female employed by the Woolworth company for three years. Full-time employment, \$8.50 per week, saleswoman.

The CHAIRMAN: Were there any dependents?

The WITNESS: Two dependents, a daughter twenty-four years of age.

Colgate-Palmolive company, female, full-time, \$11 to \$11.50 a week.

*By Mr. Young:*

Q. What does this company sell?—A. Soaps and perfumes—manufacturing concern.

Charles Cottrell company—I do not know what line of business it is—full-time employees, sixty hours per week, \$9 per week.

Q. What do they do?—A. 31 Stiner street. I do not know their line of business. He has been employed by the firm for twenty-five years.

Q. In what capacity?—A. I don't know. It does not say. That is a male.

De Veer Equipment company. I am not certain of their line of trade, but I believe it is equipment for garages—full-time employees, \$9 per week.

Q. Do they manufacture or distribute?—A. I do not think they are manufacturers. I have not the detailed information on that.

Dominion Stores, a branch on Yonge street, full-time employee, \$10 per week.

Mr. FACTOR: Male?

The WITNESS: Yes.

*By Mr. Edwards:*

Q. Married?—A. Married man, wife and one child.

Ontario Fuels limited—male employee, forty-eight hours, \$8 a week.

Mr. FACTOR: Is that a coal company?

The WITNESS: Yes, a coal company.

Mr. FACTOR: What does he do?

The WITNESS: "I have been employed with this firm for about eight months and since October 1 have received \$35." This is dated December 12. "Previous to October 1 was receiving \$25 monthly." Man works from 8 a.m. to 5 p.m. at Cherry street yard, \$6 per week. The employer states he is an excellent worker but owing to present unfair competition in coal states he is unable to increase man's earnings at present time but expects at the end of January or the middle of February he will be in position to increase man's earnings so that he will not require any assistance.



*By Mr. Young:*

Q. You should tell us when pay day is. There may have been one or two pay days?—A. How do you mean?

Q. He said, "I got \$35"?—A. For a month.

Q. From a certain date he got so much money?—A. "Has been employed with this firm about eight months and since October 1st has received \$35 month. Previous to October 1st received \$25 a month."

*By Mr. Factor:*

Q. What is he a driver or a shoveller?—A. He is a clerk.

Q. Clerk in the office?—A. Yes.

Q. Clerk in the office?—A. Yes, Muirhead Limited—full-time employee, \$6 per week.

Q. What firm is that? Is that the restaurant?—A. I am not sure of what this man's duties are, but he is employed by the Muirhead company.

Q. Are they the restaurant people?—A. 217 King street east. I do not know whether they have a warehouse or not. They have no restaurant there.

*By the Chairman:*

Q. What does this man get?—A. Six dollars per week.

Q. Is he married?—A. Married and one child.

*By Mr. Factor:*

Q. I do not think that is the restaurant?—A. That is the last. I did not repeat one or two that we had duplicates of.

*By the Chairman:*

Q. Now, how many do you know there are on your relief that are in similar circumstances to these that you have given—that is, the inadequacy of their wages make it necessary for them to go on relief?—A. During the week, and in February 17th there were 1,455 families supplied with partial relief—1,455 families of our total list.

*By Mr. Sommerville:*

Q. That would mean they would have some income from some other source?—A. Some income, but in the larger part, 25,669 families, there are still some of that list that have smaller earnings and require full relief, but there are at least 1,455 by reason of small relief who are getting personal assistance.

Q. And with regard to the balance, even if they are receiving full pay for a full week, if that is not more than enough to pay their rent you still put them on full relief, or you give them the relief other than rent, do you not?—A. You mean where in our opinion the earnings are not sufficient to maintain the family that they get either partial or full relief?

Q. Yes?—A. That is correct.

Q. Take some of the cases you referred to—the type of cases you referred to—some of those may be on full relief, and all of them will, in any event, be on partial relief?—A. Yes, that could conceivably happen, where the earnings might be four, five, six or seven dollars per week and the numbers of dependents five, six, seven or eight.

*By Mr. Factor:*

Q. How does the relief situation this year compare with that of last year—say January of this year as compared with January of last year.—A. In January 1933 there were 24,244 families on relief in Toronto; in January 1934 28,695.

*By Mr. Sommerville:*

Q. An increase of some 4,000 families?—A. 4,450.

*By Mr. Young:*

Q. Now, you spoke of interviewing one employer who had a man of a very excellent kind, but could not pay him any more, because business was bad; is that general?

Mr. SOMMERVILLE: That was because competition was so bad.

Mr. YOUNG: You mean because competition was so keen?

Mr. EDWARDS: No, the type of competition was so bad.

The WITNESS: Shall I read that statement again?

*By Mr. Sommerville:*

Q. About the coal man?—A. A man employed by the Toronto Fuels Limited, Ontario Fuels Limited; has been employed by this firm about eight months, and since October 1st has received \$35 per month, and prior to October 1st, was receiving \$25 per month; the man worked from 8 a.m. to 5 p.m. at the Cherry Street yard six days per week, and the employer states he is an excellent worker, but owing to present unfair competition in the coal business, states he is unable to increase the man's earnings at the present time, but expects by the end of January or middle of February he will be able to increase the man's earnings, so that he will not require any assistance.

*By Mr. Young:*

Q. What does he mean by unfair competition? He must have something definite in mind.—A. This is the statement, I am not in charge of it, myself.

*By Mr. Sommerville:*

Q. Now, Mr. Laver, you are referring now to a case that was on direct relief from the city; are there a large number of cases on relief from social or welfare organizations apart from the city relief?—A. No social organizations in Toronto distribute to citizens fundamental relief in the way of food or fuel, the City of Toronto, where unemployment exists, takes over the entire burden.

Q. But they do relief work, which does not come under your department.—A. They supplement the city's relief in other ways.

Q. Yes, and that would not be reflected in your figures?—A. The cost would not be reflected.

Q. No.—A. Some of the families may be here, but that cost would not be reflected.

Q. Then there is the question of the larger number of families this January than you had a year ago; how do you account for that, Mr. Laver, what are the factors that cause that.—A. I could only give you my opinion on that, Mr. Sommerville.

Q. By your experience?—A. When you consider that December, 1932, the employment index for Toronto was 91.2 and that December, 1933, it was 92, that is eight-tenths of one per cent better; the situation was that much better so far as employment was concerned.

Q. Notwithstanding that, you had four thousand more families on relief.—A. I account for that by two reasons; one is that a great number of families have come to the end of their resources, and have been required to come to the municipality for assistance, and a good portion, in my opinion, are now coming to the city by reason of their low rate of earnings. Those are two factors which enter into it.

Q. Yes, what do you find generally speaking as to the condition of earnings in the needle trades in the city?—A. I think a general statement would cover

that. Quite a percentage of the number of families we are required to assist in part or in whole are attached to the needlework trade. I think so. It is a pretty general statement, perhaps, to make without analyzing 30,000 records, but I think I am fairly sound in saying that of the cases that come to our particular attention a percentage, at least, of them, are involved in the needlework trade somehow or other.

Q. What conditions did you find prevailing in the chain store organizations of Toronto, and, generally, as to the rate of pay.—A. I am only able to tell you the conditions of the case that I referred to specifically.

*By Mr. Young:*

Q. One was Stop and Shop, and what was the other one?—A. Dominion Stores.

*By Mr. Edwards:*

Q. Does that mean, Mr. Laver, that these are the only two cases that came to your notice?—A. These happened to be singled out for the tabulated statement.

Q. There might be others?—A. Quite possibly.

Q. You refer to the percentage of employment, 91 per cent and 92 per cent; what was your base year?—A. It was 100 in 1927; the index in Toronto was 127 and 131.

Q. But when you say it is 90 in 1932 and 91 in another year—as compared with what year?—A. I am comparing these two years, but I say in 1927 the employment in Toronto was over par by 30 to 35 per cent.

Q. I know, but what are you comparing these two years with; with what year; what is your base year, you must take a base year?—A. They are taken from the Dominion Bureau of Statistics.

Q. Then probably it is 1926?—A. 1926 or 1927—I am saying it was 127 or 131 around about that.

Q. But you considered it from whatever your base year was?—A. It fell continuously from 1927, and since 1928 it has not risen; I have not got the figures here.

*By Mr. Ilsley:*

Q. The peak was reached in 1929?—A. No, the peak was not in 1929, it was in 1927.

*By Mr. Factor:*

Q. Just one question, Mr. Laver; you singled out the needle trades and the chain stores in the problem, you are implying that these two form the major portion of that problem, are you?—A. I have no statistics, but make such a statement.

Q. No; well, have you anything particular to show what percentage, we will say, of the chain stores are on relief and of the amount of those on partial relief?—A. No, sir, I have not.

Q. Or of the needle trade industries?—A. I have not, sir, no.

Q. Then why emphasize these two as against the others?—A. I am speaking, to a certain extent, in a general way, when I make that statement, because of conditions which come to my notice; and our superintendent, Mr. Heron here, would lead me to believe that a considerable percentage of the people who are employed by these trades or these lines—I cannot speak absolutely, or on tabulated facts—come to us for relief.

Q. You mean some of the percentage are in these two spheres?—A. They rather stand out.



Q. They do stand out?—A. It was drawn to our attention anyway.

*By Mr. Young:*

Q. Now, Mr. Laver, I want to go back to my other question, that you frequently find complaints from employers that they cannot increase wages because of unfair competition?—A. I do not recall any such frequency at all.

Q. You can recall only the one instance?—A. That is so.

*By Mr. Sommerville:*

Q. I suppose you do not ask employers why they do not increase wages?—

A. That is not one of our inspector's duties at all.

*By Mr. Factor:*

Q. And, in this coal case, or any of these cases cited to us, was any attempt made to have the employer explain the reason for the low wages?—  
A. No, there was not, that I recall.

The CHAIRMAN: Is there anything else? Thank you, Mr. Laver.

Mr. YOUNG: What about the questionnaire we were to discuss?

The CHAIRMAN: That is not quite ready yet. Is there anything else, gentlemen? We will stand adjourned, then, until to-morrow morning at eleven o'clock.

The committee adjourned at 5.20 p.m. to meet again to-morrow, Wednesday, February 28, 1934, at 11 a.m., in Room 368.



HOUSE OF COMMONS, ROOM 368,

February 28, 1934.

The special committee appointed to inquire into price spreads and mass buying met at 11 a.m., the Honourable H. H. Stevens presiding.

GUSTAVE FRANCO, called and sworn.

The CHAIRMAN: Mr. Franco is chairman of the Minimum Wage Board of the province of Quebec, and I want to thank him for coming forward to assist the committee in its efforts.

The WITNESS: It was a pleasure and a duty, Mr. Chairman. In reply to a request that was made in the letter I received, Mr. Chairman, I am going to file with the committee some documents.

*By Mr. Sommerville:*

Q. You are going to file some documents with the committee?—A. I will, Mr. Sommerville. Here are some copies of the last report up to the first of July, 1933. If you have not got enough I will be delighted to send you more copies, copies for every member of the committee. Here are a few copies of the act, and enclosed in the same booklet are 14 orders so far enacted. In case you have not got enough copies, here is another one. I will file also the list of cases that have been taken.

Q. Prosecutions?—A. Yes; up to the first of January.

Q. For the year 1933?—A. Yes,—well, we have to the end of 1932 in that list. Thirty-seven cases were taken in the district of Montreal, and seven cases were taken outside of the district of Montreal.

Q. Forty-four cases?—A. Yes.

Q. They were convictions in each case?—A. Well, with the exception of two cases where a settlement has been arrived at before the judge. The employer having paid back pay to the employees. Some pay costs. I have added to the list ten cases actually pending in court. Some of those cases are taking a long time. For the information of the committee I am going to file with you a copy of the questionnaire that firms and employers are requested to fill out, either that or the inspector fills it himself.

*By the Chairman:*

Q. This is a questionnaire from the employer to the board?—A. Yes.

Q. Giving a report upon the wages, hours, and rate of pay.—A. Here is a copy of the questionnaire that was filed yesterday. I have taken the name of the firm to show how it is done. It is taken by the inspector, signed by him if o.k. If not o.k. it goes to the other department. Here are three samples of the orders that must be posted in the shops. I have taken three cases of each. The first one is one where there is no working period attached to it.

*By Mr. Sommerville:*

Q. Working period attached?—A. It simply means the minimum wage must be paid, as in Ontario, according to the working order of the establishment. There is order number three, governing my own industry, the printing industry.



Number seven governs the boot and shoe industry and leather industry as amended in June, 1933. Quite a lot of improvement. Here is one; we have added to the order an extract from the orders in council, ordering employers to do certain things, and at the same time, advising girls what to do if they are underpaid. Here I have added ten various ways of evading the minimum wage law.

Q. Just ten?—A. Only ten, yes.

*By Mr. Factor:*

Q. They were not suggested by you, Mr. Francq?—A. No, but they came.

*By Mr. Sommerville:*

Q. Unfortunately experienced by you?—A. Yes. Here, Mr. Sommerville, I will file a few copies of the way we are checking the payroll.

Q. These are scales of wages. Now, will you be seated.—A. Let me tell the committee that the minimum wage law in Quebec, though based on the same principle is almost entirely different from all other provinces.

Q. This minimum wage law of Quebec is on an entirely different basis?—A. Although we recognize the same principle of fixing not exactly a living wage.

Q. What is the basis in the province of Quebec, Mr. Francq?—A. The basis is that the minimum wages are fixed and set by a joint conference.

Q. By a joint conference?—A. Composed of representatives of employers, employees, and the general public.

Q. When this has been fixed between them, it is accepted by the board?—A. The board has the authority as a board to adopt, to amend, to reject, or to order a new conference.

*By Mr. Young:*

Q. Do you fix it on the cost of living as they do in Ontario?—A. More or less.

Q. More or less?—A. Yes.

Q. Which?—A. Well, I am going to explain it to you, what the board does. The board has prepared some orders giving say in 1927, a budget on the cost of living, not so much the board itself, it is the social workers' budget, the secretary of the Y.M.C.A.

Q. In 1927?—A. In 1927. And we arrived at the conclusion, through these reports, that a living wage in Montreal for a girl will be \$12 a week. In Quebec, Sherbrooke, Three Rivers, and municipalities over 20,000 population, it came down to \$10, \$2 less. The dollar is explained by the necessity of buying car tickets.

Q. Buying what?—A. Car tickets. It seems extraordinary but most of the girls in Montreal are compelled to use street cars, while in all these other cities they do not. In between these cities and the rural districts, we have set the minimum wage at between \$8.50 and \$9. Let me add, for the information of the committee, that outside of Montreal, and to a certain extent in Quebec, most of the girls working in factories are living with their parents, are living at home; and, of course, it costs them less to live there than if they had to pay board somewhere else. And even if they have to pay board they can obtain board in a rural district for less money than they could in Montreal. That is the explanation why we have accepted a lower budget for the rural districts than we have in Montreal.

*By Mr. Sommerville:*

Q. What is the minimum wage paid to a woman in the rural districts?—

A. You mean the minimum wage in the rural district?

Mr. HEAPS: Are you referring to the minimum or the maximum? Would it not be as well to have the maximum?

Mr. SOMMERVILLE: I just want to get from Mr. Francq this one wage.

Mr. HEAPS: There is inexperienced help there.

Mr. SOMMERVILLE: We will bring that out.

*By Mr. Sommerville:*

Q. What is the minimum wage paid for experienced helpers in the rural districts?—A. It varies from \$9 to \$10.

Q. What is the minimum wage to an experienced helper in the city of Montreal?—A. It varies from \$11 to \$12.50.

Q. Is it fixed upon a weekly wage basis or an hourly wage basis?—A. Fixed on a weekly wage, but we check it on the hourly basis.

Q. That is to say if a girl is entitled to \$10 a week, and she is working 50 hours, you check it at 20 cents an hour; that is the principle?—A. Exactly.

Q. If she works for 30 hours of the week, she gets what?—A. She gets paid, according to the board, for whatever time she has put in.

Q. What is the minimum wage for an inexperienced girl in the rural districts first?—A. In the rural districts?

Q. Outside of Montreal.—A. Outside of Montreal. In orders number one and two, if you will permit me, Mr. Sommerville, it will be quicker this way, without checking one order after the other, if you do not mind.

Q. I want to get it as briefly as you can, Mr. Francq.—A. We have, for instance, in the laundries, dye works and dry cleaning establishments, a minimum wage for an experienced girl outside of Montreal, of \$9. In Montreal it is \$12. That applies to numbers 1, 2, 3, 4, 5 and 6. That applies, as I said before, to the recognized working pay of the establishment, meaning that if any one works 55 hours the minimum wage applies to 55 for that week. Fifty-five is the legal limit of working hours for girls in Quebec.

*By Mr. Factor:*

Q. You do not fix the maximum hours.

*By Mr. Sommerville:*

Q. What are the maximum number of hours fixed for the girl helper in the province of Quebec?—A. 55. You cannot go over 55. If you go over 55 you come before the court and explain why, unless you have a special permit.

Q. Then, 55 hours a week for girls is your maximum; on what basis are special permits given extending that?—A. The permits are given only by the chief factory inspector in the district; and the employer has got to explain why he requires that permit. If he has got a contract that he cannot perform in the date specified for delivery of the goods—

Q. Are there many of these permits issued?—A. Not many; many requests, many, many requests.

Q. Yes.—A. If you will permit me, here is one that I have. This is one of the trends of the industry.

*By the Chairman:*

Q. One of the trends?—A. During a few months' period they may work day and night.

*By Mr. Sommerville:*

Q. During a few months' period each year?—A. Yes. I have found cases where girls have been employed up to 75 hours per week without a permit.



Q. Yes?—A. In other cases they are keeping the girls up to 65 in cities, 60 to 65. As soon as the inspector discovers that, he reports it to the chief factory inspector. Then, after that, everybody goes.

Q. What do you mean by that?—A. I mean by that, after that period of industry is passed, well, there is nothing else to do, and they close down, more or less.

*By Mr. Young:*

Q. Is that during a particular season of the year when there is a demand for the goods?—A. Well, it is due, to my knowledge of the case, from what manufacturers and contractors are reporting to me that whenever they have got a request that they are able to make a sale to a big concern the date of delivery is fixed and if they do not deliver during that period, they will be fined; they have to pay so much per day for delay, and so on. So that the contractor or the manufacturer if he has not got enough machinery to perform the contract, in the said date, well, he has got to apply for a permit. They have got to pay so much per day, and so on. If a contractor or manufacturer has not got enough time to perform a contract in the set day, he has got to apply for a permit.

*By Mr. Edwards:*

Q. Just on that point, is not a lot of this due to the fact that dealers throughout the country are not placing specifications like they used to place them? For instance, a man would buy goods for fall, and he places specifications in March or April for delivery in August, say. Now it is a case of buying from hand to mouth, and then insisting upon delivery in a month or two weeks or something like that, instead of placing orders ahead and giving time to have an even run in the plant.—A. That is one of the facts of the actual situation, that whenever a manufacturer or contractor obtains an order, he has got to do it in a rush, and if he does not do it, he loses the contract.

Q. In other words this buying from hand to mouth plan has been followed by a great many troubles, and one thing and another; if it were a process of buying, anticipating your requirements, buying a full order, placing your order in due time and then allowing delivery to be made in the regular way, it would give a more even run in the factories?—A. Undoubtedly.

*By Mr. Sommerville:*

Q. When you refer to the orders from large firms, to what do you refer, what kind of firms?—A. Those dealing in large quantities.

Q. Large quantities?—A. Yes.

Q. Is that general in the industries?—A. From the information that we are obtaining, whenever permits are required, that is the explanation given: "We have got to deliver the goods in so many days or a few weeks, and we can't do it; if you don't give us a permit we will lose the contract. The chief factory inspector will be able to give you more information that I, because all we do is whenever the inspector goes to the factory or workshop and he finds in the time tickets or time sheets that they are working over 55 hours, he inquires right away. The employer, as a rule to-day has closer relations with the Minimum Wage Board than he has with the factory inspectors. He is in closer contact than he is with the factory inspectors; and they telephone to my office and I have got to refer them, through an understanding between the factory inspection department and my own department. No permits are granted to any firm who is not paying the minimum wage.

Q. No permit is granted to a firm not paying the minimum wage?—A. That is the first inquiry made by the factory inspector: "Is that firm O.K. with you?" If I said no, they have got to go to him first.



*By Mr. Young:*

Q. These are reasons assigned by firms seeking permits?—A. Yes.

Q. You never check up to see whether they are correct or not, or you could not give us specific cases?—A. No, I could not.

*By Mr. Senn:*

Q. In case a firm wishes to employ a girl more than 55 hours a week, if they give her extra remuneration for that time, is that contrary to the law?—A. Unless the factory inspector gave her the permit, she cannot work over 55 hours.

Q. Even for extra pay?—A. Even for extra pay. Of course that goes without saying, if she works over 55 hours she must be paid accordingly, from the minimum wage order; even for some orders they have got to pay time and a half after the regular working day. I will come to that in minute. After 44 hours they have got to pay time and a half.

Mr. SOMMERVILLE: In some industries.

Q. Now, perhaps you could tell us how many establishments are at present covered by the minimum wage law in the province of Quebec?—A. Yes, I will; we have got 24 orders enacted.

Q. You have 24 orders enacted?—A. Yes, covering 11 different trades; 1,068 workshops, covering 30,362 working girls. That is the census of 1932-33.

Q. Have you in contemplation other orders covering other industries?—A. On the eighth of March, orders will be issued for five other trades, namely the rubber trades, jewellery trades, drugs and chemicals, the paper trade in all its branches, the electrical and metal trades; and right after that we are practically completing the census of the commercial establishments, department stores, chain stores and so on. That order will be issued in the month of May.

Q. Up to the present time commercial establishments are not under the requirements of the Minimum Wage Act?—A. They are under the jurisdiction of the act and the board, but we have not seen fit to issue orders. When you go over these orders you will notice that there is a six months or year interval between each order, because the board in Quebec, acting differently from other boards, is doing its own checking. We have not been satisfied with the reports of the manufacturers.

Q. What is your experience in that connection, if you leave it to the manufacturer to make his report? What do you say as to accuracy?—A. Well, some will make a straightforward report; some others through ignorance, voluntary or not, will falsify their reports. When a manufacturer does not keep any record of the working time of his girls, how can he make a report? Impossible, absolutely impossible.

*By Mr. Factor:*

Q. Does not the act provide for them to keep a record?—A. Yes. But permit me to say that the Minimum Wage Act of Quebec, although it was put on the statute book in 1919 or 1920, the board was appointed in 1925, and we took two years time before issuing orders. The situation was so difficult, and wages in many cases were so low, that we did not know how to increase those things; and the same act, the same law, has been amended at every session since.

Q. Since 1927?—A. Yes, since we have issued the first order, according to the experience. At the beginning of the existence of the board, it had jurisdiction only over commercial establishments and only over wages, not working hours. Now, we discovered right away when we enacted order No. 1 covering laundries, No. 3 and 4 covering printing, lithographing and allied trades, No. 5 and No. 6 covering the textile industry in all its branches, knitting and so on, that right away some employers saw fit to use that regular recognized working pay within the establishment, to increase their working hours right away.

*By Mr. Sommerville:*

Q. They did what?—A. They increased the working day.

Q. The working hours?—A. Yes, if an employer had to pay, for instance, \$12 a week for 55 hours, and the other employer having a regular working day of 45 hours—well, it was absolutely unfair to the employer having 45 hours as the schedule of working hours to be compelled to pay his girls \$12 a week while the other fellow was paying for 60 hours, some of them. In my own particular case, we had a 44 hours pay in the printing industry. The fellow across the street was working 55 hours. He was within the law, but I had to pay the minimum wage of \$12.50 on 44 hours while the other fellow was paying the minimum wage of \$12.50 on 55 hours. So right away we stopped issuing orders and we asked legislation to extend the powers of the board so as to permit us to get a definite working day to apply for the wages, and we have done so, from No. 7 to the last one.

Q. That is continued in the orders from No. 7 to—A. No. 14.

Q. No. 7 to No. 14 fix the working hours as well as the wages?—A. Absolutely.

Q. In the industries covered by those seven orders?—A. Yes.

Q. And you think that is a decided improvement on the operation of it?—A. There is no other way. You cannot enforce a minimum wage unless you have that.

*By Mr. Factor:*

Q. Not exceeding 55 hours?—A. No. The hours are set, the same thing as the minimum wage again,—I am going to repeat—by the joint council. Whenever the board thinks that wages are too low, or we have a request, we make an investigation. We are issuing question forms; they are filled out; we make a census, and we present the result of our work to the joint conference. The employers themselves are invited. In one particular trade, they all receive an invitation to attend the meeting, to appoint representatives. We do likewise. They have their own employers' association, labour union. We ask the employers' association and the labour unions to select their representatives. When there are no such bodies, we ask the employers to be kind enough to attend the meeting, to select their own, which they do, as a rule. It is, of course, harder to get employees; you may get together 50 employers, but it is impossible to get together 1,000 employees, so we have to do the best we can to get the employees represented—the ones they select themselves in the shops.

Q. At any rate, the parties to the industry really have a say in the fixing of the hour?—A. They do. You realize that it would be absolutely unfair, unless there was something absolutely unjust to the employees or employers, not to accept the decision of a joint conference. After all is said and done, we must have co-operation of the employer and employee to enforce that law. If you are only able to enforce the law through taking people to court, you are not going to get very far with it.

Q. Is there any pressure brought to bear on the employers or employees?—A. Yes. That is why we have a safety valve. Supposing a conference is composed of three employees and three employers; they both select three representing the general public that are neither employers nor employees, and they hold the balance between the two.

Q. Then you have seven inspectors under your Minimum Wage Board?—A. All through we have got the co-operation of the factory inspectors but I do not think the factory inspectors have the time or opportunity of checking the pay-roll or time of the manufacturer.



Q. So that you do not really assign the factory inspector to do any checking of any pay-roll; you have your own inspector?—A. Our own staff; and we have increased the number of orders issued according to the personnel that was placed at our disposal.

Q. When firms evade the law in the province of Quebec, is there any provision in the act by which the employee gets back pay?—A. Yes.

Q. In the act itself, when a person is brought before the court?—A. Clause 11 of the law reads: "Whenever an employer pays an employee wages lower than those fixed by the commission, such employee may recover the difference by a suit before any court of competent jurisdiction, either during the course of her employment or after the same has ended."

Q. That is to say, that in your province, to get back money owing them through being paid less than a minimum wage, the employees must sue for it in the ordinary civil courts?—A. Yes.

*By Mr. Boulanger:*

Q. There is an amendment before the house in Quebec about that, is there not?—A. No.

Q. This session?—A. No, not regarding that.

*By Mr. Sommerville:*

Q. Did you ever hear of a case of a girl suing an employer, and going to all the expense and delay occasioned, to recover back wages by a civil suit?—A. Have girls taken advantage of that particular clause?

Q. Yes.—A. Certainly.

Q. Have there been many?—A. No.

Q. The expense and delay is a difficulty?—A. I am going to explain to this committee the reason why we have not got so many. The board has adopted the policy of helping the girls obtain the difference in wages. Here is the way we do: supposing an inspector discovers that a girl is underpaid, or girls come to the office and say, "I was working for such and such a firm and was not paid the minimum wage." As a rule they always wait until they are discharged or lose their jobs or have quit, before they come to the board. Then we send an inspector over to the firm. He checks up in the books, in the pay-roll and in the time sheets, how much the employer owes to the employee.

Q. Yes?—A. Going back as far as—not three months since the date of the enactment of the order, or since the date the girl was in the employ of that particular firm—we have got a case where we went two years back. We say to the employer, we notify him to come over to the board that we have a little business to discuss with him. We take the case up with him and say you are paying too low wages, and if we follow the law we could take your case before the criminal courts, and if we do that you are going to be fined \$50 and not less than that; of course we would take it that you are going to have some nice publicity out of that. Then they will say don't take us before the court. We will say this is your first infraction of the law and we are going to be considerate with you, if you are willing to pay what you owe to the girl, and will send us a certified cheque for the amount the board will remit that cheque to the employee, and we will give you our word of honour that we are not going to take you to the criminal courts in that particular case; but from now on you will have to observe the law, and if we have any more complaints about you, why the next time we will take you to court. I know of a firm that has paid over \$3,000 in back pay rather than go into court.



*By Mr. Factor:*

Q. How far back do you go?—A. It is the same thing as though it was a regular debt case, we can go back five years; of course we have not done that with the exception of one or two, we are not going five years back, and girls who have been working for five years for one firm are not many, believe me.

*By Mr. Sommerville:*

Q. How much have you collected during the past year by way of settlement in this manner?—A. During the last year we did not collect as much as before, but I see from the figures before me that we collected \$2,315.34.

*By the Chairman:*

Q. That was in 1933?—A. Yes, divided up between 47 girls and involving 38 employers.

*By Mr. Sommerville:*

Q. That would be 38 firms?—A. The lowest amount claimed was 64 cents and the highest was \$225, which was actually paid.

Q. During the past year?—A. During the past year. We have no report of the back pay paid, we could have it, but I did not make it up.

Q. What is the penalty that is imposed if a firm is found guilty of a breach of the minimum wage law?—A. The law reads, Section 12:

Every employer who infringes an order in council adopted under this Act, or any portion whatsoever of an order of the commission, shall be liable, in addition to the costs, to a fine not exceeding fifty dollars for each infraction, and, in default of payment of such fine and costs, to an imprisonment of not less than one month and not more than two months.

*By Mr. Boulanger:*

Q. That is going to be changed, there is an amendment now before the Quebec House.—A. At the present time, I have a copy of the Bill and I suppose it is carried.

*By Mr. Factor:*

Q. In the 37 convictions that you had in 1933?—A. If you will permit me, Mr. Factor, I will answer Mr. Boulanger. The amendment that we have is to the effect that the first infraction will be fined not less than \$50 and not over \$200, and in default of the payment of the fine imprisonment of not less than one month, and not more than two months. For all other infractions there is a fine of not less than \$100 and not exceeding \$300, and a liability to imprisonment of from two to three months. Now I might add something right away on that before I forget it. Supposing a firm has 56 girls and 52 of them are underpaid, we have a case like that, I am recommending if the amendment is passed that out of the 56 the 52 of whom are underpaid I am going to take 52 cases against the employer; now the judge will have no discretion, or we will say the power, to fine him \$10, but he will be compelled, according to law, to fine him \$50.

*By Mr. Boulanger:*

Q. In each case?—A. In each case; now that is where the teeth of the law comes in.

*By Mr. Sommerville:*

Q. Why did you find it necessary to increase the penalty in 1933 and again in 1934; I understand there was an amendment in 1933.—A. In 1932 the fine was \$100, up to \$100, but there were no teeth in it. That was the reason for the change; you see there was no jail involved. In one case the judge asked

me what is the alternative, and I said there is none whatever; he said you should have one inserted, I would be delighted to send some of these employers to jail; but when we submitted our proposed amendment to the Quebec legal department they saw fit to reduce it from \$100 to \$50 because they were adding alternative jail terms. Again, at the request of the employers themselves—it is not only the request of the board itself, but the request of employers, and employers associations.

The CHAIRMAN: The decent employers.

The WITNESS: I gave you copies of at least half a dozen letters coming from associations of employers. Now the opinion of judges in rendering judgment regretted that the fine was too low, that it was permitting employers to make money out of violations of the law.

Q. And these decent employers to whom reference is made thought that other firms were getting away with serious infraction?—A. Quite so. Some of the letters that I am referring to were suggesting a fine as high as \$200 for a first offence, and we will do what I just explained to you, we will take a case for every infraction, if five girls are underpaid, instead of taking one case, we will take five cases.

Q. That is what you will do in future?—A. Yes. Now, in answer to Mr. Factor, out of the 39 cases that were brought before the court, I can tell you exactly how much they were fined. 39 cases came in Montreal, you will get the list there, they were fined \$100 and costs; that was before the amendment of \$50. 28 were fined \$50 and costs or two months; three were fined \$35 or two months, seven were fined \$25, and one was fined \$10. That is in the district of Montreal. The one fined \$10 had only had six girls and the infraction was not for not paying wages, the infraction was for not keeping an account of the hours worked by the girls, and if the employer does not keep a record, it is pretty hard to check the amount of money paid to the girl against the number of hours stipulated in the order. We are governed by the regulations stipulated in the order. If a girl is paid \$8 and there is no record of the working hours, we simply divide the eight by 48 if it is a 48 hour week, which is in force there.

Q. Although she may be working 50 hours or 60 hours?—A. We do not know, he has no record of the time, so we have to presume the time stipulated by order in council 743.

Q. And outside of Montreal, how many did you have?—A. 7 cases were taken, one was fined \$50—it was a second offence, the second time I took him to court; 5 were fined at \$10 each and one was fined \$1.

Q. Now then, Mr. Francq, before we leave these cases—

The CHAIRMAN: May I ask one or two questions?

Q. I notice that all of these fines in the Montreal district with the exception of two, I think, are in the needle trade.—A. Yes.

Q. How do you account for the preponderance of the infractions in that trade?—A. I will explain that to the best of my knowledge and ability, Mr. Chairman. We have taken more cases in the needle trades, because the trade in itself developed a lot of small shops, more than in other trades. It requires less capital to start in business in the needle trades than in anything else. In the needle trades again some of the manufacturers are only manufacturers in name, they do not manufacture anything.

*By Mr. Sommerville:*

Q. What do they do?—A. They simply buy the cloth and they get a designer and a cutter and then they send their goods over to a contractor, who makes the goods. Take pants especially they are all going out to the pants contractors, and through the manufacturers not paying enough for the making up of the goods the contractor can't pay wages, it is impossible; he can't pay the minimum



wage, he can barely make a living for himself. We have cases where big manufacturing firms, firms that are well known, have paid as low as \$3 for a dozen pairs of men's pants.

Q. \$3 for the making of a dozen pairs of men's pants?—A. Yes, and as low as 35 cents a dozen for boys' pants.

*By Mr. Factor:*

Q. To the contractor?—A. To the contractor; how can you expect that a contractor can pay wages; it is impossible.

*By Mr. Young:*

Q. How much labour is involved in the making of a pair of pants?—A. I am not in that particular line of business.

*By Mr. Sommerville:*

Q. Let me get this clear. You say that manufacturers, and these are big manufacturers, send them out to these contracting firms?—A. Yes, and may I add this, that the contractor in many instances does not manufacture himself. He sub-lets all these contracts to sub-contractors, and some of the sub-contractors are sub-letting them again to private families in the country, with the result that we have known of cases where as low as 50 cents or a dollar was paid for a dozen men's pants.

Q. 50 cents to a dollar paid for the making of one dozen pairs of men's pants?—A. And you cannot control it, because it is in the private families. It is the sweating system coming back; and how are you going to prevent it?

Q. That means that you are getting down to the payment of from four cents to ten cents for the making of a pair of men's pants, under that system.—A. Yes.

Q. And then these pants eventually find their way into the hands of the good manufacturers, and they are sold to the trade?—A. Of course, these are the cheaper kinds of pants, but still the work which is done is there.

Q. In reference to boys' pants, you refer to that 35 cents a dozen; that is, you have cases where the large manufacturer lets them out at 3 cents a pair for making, and are these again let out at a lower rate by the sub-contractor.—A. No.

Q. The sub-contractor himself makes them up?—A. Here is the way that I found it out, one of our inspectors went over to a rural district about 30 or 40 miles from Montreal, where we had complaints that the girls were underpaid and receiving only \$2 or \$3 a week.

*By the Chairman:*

Q. You say only \$2 or \$3 a week.—A. Yes; and, of course, he told the contractor, we are going to take you to court. Well, he says, if you do take me to court, I can't pay the fine, I will have to go to jail. They said, "you had better go down and see the chairman of the board." They came to my office and I asked, "what is the idea of paying your girls \$2 and \$3 a week?" He said, "I cannot pay any more; it is all I get—thirty-five cents for a dozen boy's pants." I said, "who are you working for?" He told me who he was working for.

The CHAIRMAN: You had better give us the name of the firm. Put it down on a slip of paper. We will not publish it for the moment.

Mr. HEAPS: Could we not get all the names of the same kind of contractors?

The WITNESS: What I could give to the committee would be a list of the contractors that are receiving such ridiculous pay for work they are performing.



*By Mr. Sommerville:*

Q. Will you make available to the committee for the purpose of its investigation the names of the contractors that are receiving—A. Certainly. It will be a service to the contractors and the girls underpaid. You realize what is the position of the chairman of the board in a case like that. Am I to go and send the poor man to jail for two months? He cannot pay the fine; it is impossible. He cannot pay the back pay to the girls; he has not got it. The same manufacturer goes scotfree. He wants the benefit of it.

*By the Chairman:*

Q. A moment ago you said in speaking just as you have just now spoken that these people were driven to it. We would like to follow back a little further. In the first place we have a girl working for as low as \$2 a week on work which pays thirty-five cents a dozen for boy's trousers and fifty cents to one dollar for men's pants, cheap pants, of course?—A. Yes.

Q. Then we have the contractor who is often just an individual in his private home who employs a few girls and carries on this work. He, in turn, gets an offer from a larger person who calls himself a manufacturer but frequently is just a cutter-up, I presume?—A. Yes.

Q. A designer, and so on. Where does he get his orders, and where does this pressure commence?—A. Well, that is only an opinion I may express on that because I have no definite proof of anything of that kind. It is none of the business of the board to investigate why the manufacturer is selling his products; but from the information I personally have received from manufacturers, some have told me, "we are willing to pay the girls, but we cannot do it through the unfair competition of others." I could again give you the names of very reliable firms. They are paying exactly the minimum wage. They are just keeping within the law, and they even know that the wages they are paying to the girls are not enough to keep them going, and they cannot increase the wages on account of other firms under-cutting them.

MR. SOMMERVILLE: It affects the whole wage scale?

THE WITNESS: Yes. That is only one case.

*By the Chairman:*

Q. Let us get this back to its source. May I put this question to you, Mr. Francq? In your experience which, obviously, is very wide, would it be correct to say that these manufacturing firms who distribute this work to sub-contractors and private individuals are forced to offer a very low rate of remuneration for it because of the prices fixed or dictated by the large buyers and distributors of these goods?—A. To a certain extent it is the reason. Some manufacturers came over to the office and I asked them, "why don't you pay better wages to your girls?" "We cannot do it." "Why not?" "Because the price we are able to sell our products at is too low." "Why is it too low? To whom are you selling? Who is it?" And they tell me, "we had a contract for five thousand khaki shirts and we are offered such a ridiculously low price that we do not make anything out of it." "Why did you accept it?" "Because our plant was idle."

*By Mr. Factor:*

Q. From whom did the order come? I do not mean any individual; what kind of establishment—chain or departmental?—A. The big buyers; everybody knows that.

Q. You are referring to the departmental stores?—A. Everybody knows.

*By Mr. Edwards:*

Q. In order to get this price down for those large buyers who dictate prices there are only two places where the price can be reduced, one is in the material and the other is in the wages; is that so?—A. Yes.

Q. And it comes out of the wages every time.

*By Mr. Ilsley:*

Q. What is the meaning of this word "dictate" prices? Is that the man's offer?—A. Not exactly. A man may come over to your factory and say, "we are willing to give you a contract at such a price"—knowing that the price often does not cover the cost price of the material.

Q. That is offering a price less than the cost?—A. Of course, he is not compelled to take it.

Q. That is it. This term "dictate" is being used. There may be some reason why it is dictation rather than a mere offer of a low price?—A. Of course, I am not a party to the passing of contracts. My duty is to see that the girls are paid the minimum wage set by the employers themselves.

*By Mr. Factor:*

Q. In the case of the five thousand shirts you know from your own experience that the buyer went to the manufacturer and dictated the price for the shirts. Is that what you are trying to tell us?—A. Yes; and the same thing applies in the shoe industry.

The CHAIRMAN: That is well known; it is no secret.

The WITNESS: No, sir.

The CHAIRMAN: Common practice.

*By Mr. Sommerville:*

Q. Is that not a fact?—A. Yes.

Q. Now, can you give us the figure on those khaki shirts?—A. No. I could get all these things if I was coming in again. Of course, the manufacturer will say, "why should I give you these things?" It may be a reason that he has to explain why he did not pay his girls. But when a positive fact is that the contract has been taken from one manufacturer and offered to another one at a much lower price knowing that the first manufacturer was losing money on that contract and then offering it at still a lower price to another—no wonder there is no works.

*By the Chairman:*

Q. There is another question I would like to ask before we leave that. Your interest, of course, is with the welfare of these female employees in these factories; that is what your duty is?—A. Well I might add to the chairman. They both consider that they have got to be fair to the employer at the same time.

Q. Quite so?—A. And doing away with the unfair competition is a service to the entire society. Now, let me tell you members of the committee that we were instrumental in closing more than one place. Not so many months ago—the last order that we issued in the food industry—there was one particular firm employing about 150 girls. Wages were ranged in the city of Montreal from \$1.50 to \$6 a week.

*By Mr. Factor:*

Q. What do you mean by the food industry?—A. Biscuits, chocolates, confectionery. That is what order 14 covers. The wages varied from \$1.50 up to \$6 a week paid to the girls. Now the firm came to the office and they told me,



"are you going to enforce any minimum wages?" I said, "the lowest one we can, \$7 to \$10." Wages were so ridiculously low in that particular industry that we could not even enforce the regular minimum wage. "Well", he said, "I will not be able to pay that much." "No?" "All I am going to do is I am going to buy some machinery in the place of the girls—buy machinery if you try to enforce minimum wage." You get the answer, "I can dispense with the girls; I do not need them. I am going to put machinery in. I could do with about fifty per cent of the girls I am employing. It is simply to start unemployment and we must consider the girls. The poor fathers and mothers are coming over crying to give work to their girls, and so we are employing them." Now, the particular firm I was referring to did not install any new machinery two week after the order came in force. The first week after we sent an inspector to check the payroll of every one of the firms covered by order number 14. On first inspection fifty per cent of the firms did not pay the minimum wage required by the order; the second week only twenty per cent; the third week that particular firm was out of business. They closed. And after the fourth inspection every firm covered by that particular order was paying the minimum wage. Now, what was the minimum wage? If you permit me, Mr. Chairman—before the enactment of that order, which was in June 1933, we had in the city of Montreal 13 girls working for 5 cents per hour, 45 at 6 cents, 60 at 7 cents, 24 at 8 cents, 77 at 9 cents, 100 at 10 cents and 132 at 11 cents, making a total of 451 girls working in that particular industry working at less than 12 cents per hour.

*By Mr. Sommerville:*

Q. And what was the average of those 450 and some odd girls working in that particular industry?—A. The average wound up pretty high. I will tell you why.

Q. The average per hour of that particular group you have given us?—A. I could not tell you that.

Q. We can figure that out?—A. Yes, you can figure that out. The general average wound up because—that was in the biscuit factories especially—because in the chocolate end of the industry very good wages were paid—what were considered very good wages, of course—in some firms. One firm in particular, the lowest wage paid to a beginner was 18 cents per hour, meaning that the maximum or highest pay in one plant was much lower than the minimum in the other one.

*By Mr. Young:*

Q. Do you know of any biscuit makers that paid better wages.—A. Yes.

Q. Some biscuit makers were paying better wages?—A. Yes. Some were paying—I am going to tell you right away—some were paying an average of between \$9 and \$10 a week, beginning between 16 and 18 cents per hour.

*By Mr. Sommerville:*

Q. For the same kind of employees you refer to in the long list here all of whom were getting under 10 cents?—A. Below twelve. Under the order we brought up these 451 girls to not less than—254 to 12 cents per hour, and then we increased most of the other lot to the rate of \$10 a week after one week's experience.

Q. You increased the second lot to 18 cents an hour?—A. Yes.

Q. And the first 250?—A. 451. 254 we brought up to \$12 and the balance we brought up to 18 cents per hour.



*By Mr. Young:*

Q. Can you tell us why it is possible for one factory to do well, paying good wages, and another factory in the same business to have to go out of business, when they are not required to pay any more than a very low wage. Can you give us any idea where the trouble lies?—A. Can I give you any idea where the trouble lies? One is paying low wages, and he goes out of business.

Q. Yes.—A. And the other one pays better wages and remains in business. As a rule, employees who are not paid are not very keen in doing good work for you. If you do not pay somebody to work for you, you cannot expect anything in return.

Q. You can blame the management?—A. Absolutely. You will find that in the 12 ways of evading the law.

Mr. EDWARDS: In other words, the workman is worthy of his hire.

The WITNESS: That is the idea. In that particular one, Mr. Sommerville, while I am on it, in that particular industry one very reliable firm was willing to pay its girls who are working for that firm, at not less than \$10 per week, and they could not do it on account of the competition of others.

*By Mr. Sommerville:*

Q. There was a difference in the class of the goods produced in these two plants. In the plant paying poor wages they were producing a poorer class of goods.—A. Yes.

Q. In that particular instance, did you not find that these goods were being sold through the large chain organization?—A. Well, I cannot tell you that; I did not push my investigation that far, but I know that some of them were complaining there.

Q. Perhaps you will be good enough to give us the name of the firm that was paying those low wages out of which you have given us a list of 451.—A. Well, I cannot give you that right now. I can give you the name of the firms that were paying wages.

Q. Paying inadequate wages to the 451.

Mr. FACTOR: I am at a loss here. Is not that the 5, 6, 7, 8, 9, 10, and 11 cents per hour rate fixed under the enactment?

Mr. SOMMERVILLE: No.

Mr. FACTOR: What is that on page 12?

The CHAIRMAN: Let us get the answer to the question in regard to the firm.

The WITNESS: I cannot give you a list of the firms that were paying those low wages; but I will take a note of it and I will send it to you.

Mr. FACTOR: Let Mr. Francq explain that to me.

The WITNESS: Now, Mr. Factor, on page 12 you will find a number of columns, 1932, 1933. In 1932, when we made a census of the industry through employers' reports and this questionnaire we discovered that 13 girls were paid 5 cents per hour, 450 were paid less than 12 cents per hour. In 1933 you do not see a single one there because the order calls for girls to be paid not less than the rate of twelve to seven.

*By Mr. Factor:*

Q. In 1933 there were still 254 getting only 12 cents an hour.—A. Yes; that was the \$7 rate. The minimum wage was set at \$7. This is not to destroy the industry. We went one step further. The board made an agreement with the biscuit manufacturers whereby, providing 50 per cent of the employees were paid not less than \$10 a week, we would extend to the other 50 per cent \$7 in spite of experience. The order ends in June, 1934, and we will do away with the 50 per cent clause and insist that every girl that has at least one year's experience shall be paid not less than \$10 a week.

*By Mr. Young:*

Q. I have one more question to ask in regard to that. I notice in 1932 there were 1,600 employees in this industry; in 1933 there were 1,321. How do you account for the reduction?—A. In one way they have replaced girls by boys.

Q. They have?—A. Yes.

*By Mr. Sommerville:*

Q. At cheaper wages?—A. Of course. In one or two factories since in that particular line, they have, first of all, replaced girls by boys and they saw it did not work and they came back and employed girls again. In certain industries you cannot replace woman labour by boy labour, or girls by boys. In other industries it acts very well. Take, for instance, the shoe industry. In the shoe industry, what we call bench girls, can be replaced by boys. They have replaced them in some shoe industries. Instead of paying girls \$7, \$8, and \$9, they have hired boys as bench girls, doing bench work at \$3 and \$4 a week. We can do nothing until the law is amended saying that no wage, that no man or boy can receive a wage less than the minimum wage fixed for women workers. This is a provincial matter.

Q. While you are dealing with the shoe industry, you say the conditions that you have described in the clothing industry are equally applicable to the other industries, especially the shoe industry?—A. Yes, but not due to the same reason.

Q. In the shoe industry there are very low rates?—A. In the shoe industry it is due to the fact that they have decentralized.

Q. Decentralized?—A. If you refer to order number 7, on page 22, you will see that order number 7 was revised in 1933. We revised it because the industry has changed entirely in two or three years' time. In 1929 we had 21 factories in the rural districts, small factories, employing a few girls. They had 300 girls employed, while in 1933 it jumped up to 33 factories employing 614 girls. In 1919 in Montreal, we had 59 factories employing 2,304 girls, while in 1933 we had 64 shoe factories employing only 1,813 girls. The shoe order is divided in three, Montreal, Quebec, and the rural districts. If you take the Montreal and Quebec districts together you will see that the shoe industry has moved away from the regular industrial centres of Montreal and Quebec and located in the district of La Beauce. Mr. Boulanger knows exactly what I mean. In one particular district you find to-day no less than three factories employing between 100 and 200 girls. They have taken the trade away from the big centres. They are paying, of course, low wages.

*By Mr. Factor:*

Q. Lower wages?—A. Yes. When it started, I wish to emphasize that fact, we had a special order made to meet that; but I am not the whole board; I am the chairman of the board. As I said a couple of times, the employee and the employer set the minimum wage, and we have the minimum wage from \$5 to \$8 in the rural districts, and that explains why they took advantage of the low wages from \$5 to \$8 for 55 hours, while they had to pay from \$7 to \$12.50 in Montreal. They transplant their factories from Montreal and Quebec or start new factories in the rural districts. I am not able to discuss the location of industries in the rural districts; it is outside my jurisdiction, but I am stating the facts.

*By Mr. Sommerville:*

Q. Notwithstanding, the fact remains that these industries located in the rural districts are paying very much lower wages than the industries in Montreal, and they are competing with similar industries in Montreal?—A. Yes.



Q. And they affect the wages paid in the larger industries in Montreal?—A. Absolutely.

Q. And the result is a general lowering of the wages, is it not, in the whole industry throughout the province of Quebec?—A. That is exactly the issue.

Q. In that connection I think you have some very poignant cases of shoe manufacturers paying very low wages?—A. Yes.

Q. One case has come to your attention of a shoe manufacturer whose girls work for 75 hours a week and were paid as low as 2 cents an hour, a \$1.50 per week of 75 hours?—A. Yes.

The CHAIRMAN: Get that right.

*By Mr. Sommerville:*

Q. That is to say this shoe manufacturer paid these girls as low as \$1.50 for a full time of 55 hours?—A. Well, more than a full time week.

Q. More than a full time week—75 hours?—A. Yes, either 72 or 75.

*By Mr. Factor:*

Q. You say you prosecuted them?—A. Yes.

Q. And they were fined what?—A. \$10 for the first offence.

Q. Ten dollars?—A. Yes. I think I have got to explain that. It needs new legislation. It reads all right in the cities. You cannot check these things outside. The mentality of the city men—my own personal experience in industrial matters shows that the mentality of the man who deals with city problems is entirely different from the man who has been living in the country. Judges are no exception to the rule. A judge in a rural district, whenever you get a case in the rural district, you have to make twice as much effort to obtain a fine that you have in Montreal. In Montreal a judge will simply say, "well, you signed that, didn't you; that is your report; you signed that? It is no use arguing, \$50". and that is the end of it. I had the very same thing happen to me. A firm was fined \$10. I was so mad I said, "You are not going to get away, I am going to do something myself." I went down the following week and I took another case and then I saw the judge and I explained to him through signature what the other judges in Montreal were doing. I said, "It is a shame you fined that fellow \$10; he should be fined \$500." He said, well, bring the case in again and I will fine him \$50.

Q. May I just ask one more question? Are these girls members of any union or labour organization?—A. No.

Q. No union?—A. No.

Q. Are there no unions in the province or in those places?—A. Not in the districts, no, Mr. Factor. Even in the city girls are, as a rule, very hard to organize.

Q. They do not belong to a union?—A. Some of them do, in the main trades.

Q. What about complaints. I suppose those girls are rather fearful of complaining?—A. Mr. Factor, we are receiving more complaints from employers than employees.

Q. More from employers?—A. Undoubtedly.

*By Mr. Sommerville:*

Q. Competing employers?—A. I am going to take you as a manufacturer, although you are a lawyer. Supposing you are tendering for a big contract. Say you are in the shoe business and you are contracting for 500 cases of shoes. You have lost that contract and you know you have lost it because of a very low figure, lower than the one you have quoted. You have to pay the same price for your raw material; there is no doubt about that. The other fellow manufac-



tured at a lower price, and the result is he does not pay his girls the wages. He cannot pay wages; and you write to the board and say, "Will you please investigate the conditions in that particular plant?" Now, as a printer, every time I lose a contract, and the difference is too high, I say, "Well, there must be something wrong, if we have got to pay the same prices for the raw material"; and manufacturers and firms of practically the same size have practically the same expenditures; therefore, they must get the difference in some way.

*By the Chairman:*

Q. That would mean that where there was keen competition for a large order, such as goods from the needle workers and from large factories and such organizations as that, coming from the big retail distributors, that it is taken out of the hide of the workers?—A. Undoubtedly.

Q. Away down on the bottom of the list?—A. Starting at the bottom, from the girl, from the workers, going up the next step to the contractor and then to the manufacturer.

Q. May I ask one other question while we are on this subject: in your experience, Mr. Francq, with these female workers, where they pay these scandalously low wages, do you find evidence of suffering?—A. Undoubtedly.

*By Mr. Sommerville:*

Q. Among the workers?—A. Yes.

*By the Chairman:*

Q. No doubt about that, you say?—A. Yes. If you only knew, Mr. Chairman, the girls to-day who, through lack of work and unsteady employment and low wages,—even receiving the minimum wage,—cannot exist in the cities. It is impossible.

*By Mr. Factor:*

Q. On the minimum wage?—A. Even on the minimum wage, because there is not work enough. I am going to cite to you several cases. Take the piece worker; go back to the needle trades, if you wish; let us take ladies' dresses for instance. The minimum wage states that they must be paid \$12.50 per week of 48 hours. As a rule, all these girls have got two years experience. They are working on piece work. It is only the most efficient girl who is able to make the minimum wage or a little over. What about the others?

*By the Chairman:*

Q. Let me get that clearly; it is only the most efficient, experienced worker who is able to produce, on piece work, up to the minimum wage?—A. Well, above the minimum wage.

Q. Above the minimum wage?—A. Yes. Now, what about the others? The piece work rate, as a rule, is based on the most efficient girl, and as soon as a certain number of girls are getting up to make a certain wage, bang goes the piece rate again.

*By Mr. Sommerville:*

Q. Down?—A. Down.

*By the Chairman:*

Q. That is your experience from observing it?—A. That is my experience. There are exceptions. I am not prepared to say that all the firms are alike; but it is the system. I am not condemning any firm; it is the system due to unfair competition.

Q. Therefore, if we receive, for instance, statements from girls workers—as we have—that as the piece work production rises, the pressure is increased and the rates are lowered until they get down to a point where the ordinary girl cannot make the minimum wage, would you say that was pretty general in the system in this piece work business?—A. Well, I am not prepared to say it is general, but many, many cases came to the attention of the board. Girls come down to the office making complaints, delegations of girls, sometimes 20 or 25 girls all at the same time from the same factory, telling us they are paid 15 cents for a dress.

Q. For making a dress?—A. For making a dress. They say that they used to get 50 cents, and it came down from 50 to 40, to 30, and so on and so on. We have got these cases in the file at the office. Of course I do not carry the office file with me.

Mr. SOMMERVILLE: You carried a lot of it.

*By Mr. Young:*

Q. When did this system of cutting wages commence? How long has it been in practice?—A. I could not say that.

Q. Is it a recent development?—A. No, it has been going on for a couple of years.

Q. A couple of years?—A. Yes. You could see by the report.

*By Mr. Sommerville:*

Q. Steadily getting worse?—A. Of course it is now; it is due to the multiplication of workshops.

*By Mr. Young:*

Q. Too many factories?—A. Too many factories.

*By Mr. Factor:*

Q. Too many manufacturers?—A. Too many manufacturers. The ladies' dress industry is an industry by itself, with a special problem. Anyone may start a ladies' dress factory. They get a small contract and they start, whether they pay for the raw material or not; that is one thing. There is not one industry where the turn-over of girls is so high. Girls work two or three months at one place, or even a month, or even a couple of weeks and they will change from one place to another all the time. They claim, "We are not paid enough; we are going to try somewhere else".

Q. You have cases, Mr. Francq, where the girl has a sister working with her, and they divide the pay?—A. We have cases where the girls are not even sisters, where even three girls, three workers, were working on the same ticket and had the same number with the time recording clerk. I could cite you cases, one after the other.

Q. That is worse.—A. That is worse. Of course, you realize how hard it is for the inspector to check it up. Supposing an inspector goes into a plant and he asks for the pay-roll or the time sheet and he finds, when they have a time recording clock, that there are so many girls there. Then he goes into the workshop. After he has taken the figures and he has prepared his report, he goes into the factory and he asks, "What is your name, young lady? Were you working here last week? Yes. How much did you receive? How many hours did you work?" He is checking right in the factory. Whenever an inspector sees, for instance, any report or the report comes to the office showing, we will, say that girls are getting 35, 40 or 45 cents per hour, we know right away that that is not right. We know right away that no girls are making that to-day.

Q. That is divided, then, is it?—A. Between two or three.



*By Mr. Sommerville:*

Q. Between two or three persons?—A. Yes.

Q. You have even got them down to 15 cents an hour and divided it?—A. Yes. It is all piece work. How can we do with piece work? You can manage and control the time of girls, but you can hardly control the piece workers, because a girl may be in a shop nine or ten hours in a day and only working three or four or five hours. If you tried to apply, as a board, the wage clause, you will be answered by the employer who says, "All right, these girls were having time off; they were smoking cigarettes, playing cards. I told them to go—and if you want me to tell them to go, I am going to compel them to leave the shop and they will come back two hours afterwards, and they will spend more on car tickets than they will earn." We are trying to introduce a system whereby they will have to record it on the clock, the even days. If an employer is not honest, no matter what you do, he is going to evade the law.

Q. The employer?—A. Yes.

*By Mr. Factor:*

Q. You cannot legislate against that?—A. It is impossible. You can do the best you can to control it. That is what I said before, we are trying to get the co-operation of the employer as well as the employee in trying to enforce the minimum wage law, because we are getting more by compromising than by taking a firm course.

*By Mr. Sommerville:*

Q. In addition to the complaints about girls not being able to earn their minimum, have you had complaints from large numbers of them as to the speeding up that is going on in the factories, to urge them to keep up to produce enough?—A. Speeding up the system is a natural consequence of the lowering of the piece rate. If you do not speed up, some will tell you that you can apply to the board and ask for a permit; and if you do not get a permit as a slow worker, out you go.

Q. Out you go; and so girls remain rather than make the complaint, and take what they can get?—A. Yes.

Q. Is that not general throughout the industries?—A. Well, generally. As you see by that, in some industries there is practically no piece work; in other industries it is practically all piece work, and girls are coming and going all the time. You find in some trades girls that have worked 15, 20 and 25 years for the same firm; in other trades you do not find one that has been working for a year for one firm.

Q. You have given us one instance of the reduction of piece work allowance for the making of womens' dresses, from 50 cents apiece to 15 cents apiece?—A. Yes.

Q. Have you on record in your office similar reductions in other branches of piece work activity?—A. Well, in the shoe industry also.

Q. In the shoe industry also?—A. Yes, but it is not so general, because in the shoe industry there is more men's labour attached to it than in the needle trades.

Q. Have you found similar conditions of comparative reductions in the furniture industry?—A. No, we are not touching it.

Q. You are not touching it?—A. What do you mean by furniture?

Q. There is no order issued covering the furniture industry in Quebec, chairs, tables and that sort of thing?—A. I don't know if we have any women workers in that or not.

Q. In the upholstering end of the business?—A. No, not much.



*By Mr. Factor:*

Q. What about the textile industry; are there many girls employed there?  
—A. In the textile industry, yes; the largest number of girls employed in any one industry are employed in the textile industry.

Q. Can you give us a picture of the textile industry?—A. In the textile industry in Montreal, we have at present 2,423 girls employed; that includes textiles, knitting and so on. Outside of Montreal we have got 6,280 girls employed. The average rate paid to the worker in 1933 was \$10.72.

*By Mr. Sommerville:*

Q. \$10.72?—A. Yes, compared with \$13.25 in 1932.

Q. In 1932 it was what?—A. \$13.25; and in 1933 it was \$10.72.

Q. In the textile industry the wages were reduced from \$13.25 in 1932 to \$10.72 in 1933?—A. Yes.

Mr. HEAPS: Increased.

The WITNESS: Decreased.

Mr. SOMMERVILLE: Decreased; it was less in 1933 than in 1932.

Mr. HEAPS: Could we have an idea of how that figure is computed?

Mr. FACTOR: Yes, that is what I was going to ask.

Q. How is that averaged?—A. Mr. Heaps, we are taking the report as you have seen in audits; we are adding the wages, the total pay-roll, and we are subdividing it for a number of workers in that particular industry, and that is how we get the average received.

*By Mr. Heaps:*

Q. The annual wage?—A. No, there is no question of annual wage. No board can give you that.

Q. If you will pardon me, according to our Bureau of Statistics—we may get it that way—I think I can quote the figures Mr. Stevens quoted in the house; at the end of 1932, the average wages then including salaries amounted to \$780 per year. How do you tally your figures with those from the Bureau of Statistics?—A. Mr. Heaps, let me tell you that the Bureau of Statistics do their work and we do our own. The only explanation I can give you as to the varying in 1932 is that the average was made out on the wages not actually received, but on the basis of the wages that should have been received.

*By the Chairman:*

Q. You are speaking of female workers only?—A. Female workers only. If you are going to have a fair comparison between 1933 and 1932 in that particular case, I would ask you kindly to refer to the lowest figure given in 1933. If the girls had worked 55 hours per week, which is the prevalent custom in the textile industry, the wages would have been \$12.90.

*By Mr. Heaps:*

Q. Can you say, Mr. Francq, what number of weeks per year the girls did work in the textile industry?—A. No.

Q. Is there any way we can find those figures to give us an approximate idea?—A. Yes, I could, if you are applying only to the textile industry, leaving out the knitting, because the knitting and the textiles are two different industries entirely; leaving out the cotton; if you are talking about the cotton textile industry and if you interject into it the new development—

Mr. EDWARDS: Rayon.

The WITNESS: —that we have in the province, or in Canada, with the silk, then it is a different story altogether. The wages paid in the silk industry are practically the lowest ones.

*By Mr. Sommerville:*

Q. Practically the lowest.—A. In that particular industry.

*By Mr. Kennedy (Winnipeg):*

Q. Just about textiles, I want to know something about that.—A. I am glad you ask that.

Q. I was glad to hear you make the differentiation you did with regard to textiles; there are, of course, a great many branches to textiles, as you know, there is rayon, true silk, cotton, and then there is woollen. Now, you have all these branches included with textiles?—A. They are included.

Q. Have you many wool producers in the Province of Quebec?—A. No, not many, we have practically no woollens in Quebec; they do not employ a large number of girls, as they are more in the nature of a local industry than of a large industry.

Q. From the standpoint of percentage, they are a small industry.—A. Yes.

*By the Chairman:*

Q. Supposing we ask Mr. Francq if he would be good enough to give us a statement showing the textile industry broken up into its subdivisions, showing, if you like, the number of employers that he has record of, and the number of hours worked during 1933, and the rate of pay in the different lines.—A. I could do that.

*By Mr. Heaps:*

Q. Might he not do the same thing with regard to the other industries that come under his jurisdiction; if that is not asking too much.—A. I would tell you, Mr. Heaps, there is a difference between a large industry and a small industry. In the large industry you can take everything because they have everything available, they keep reliable records. In the small plants the situation is different, they are not so well organized.

*By the Chairman:*

Q. In the small plants you have to be more careful?—A. In the small plants they can't even make out the reports, and that is why our inspectors are making out the reports to-day. We are not asking the small employer to make out his report, we send our inspector to his plant, and he takes the books and makes his report on the work of the employee. With these large firms employing over 100 people, the inspector will drop in and say Now here is a report for you to fill in and I will be back for it to-morrow, and the next day he comes in and checks it in the books. With all employers below 100 employees the inspector has to go into the plant and compile the report himself, so that we will know where we are at; unless you do that you may have to write half a dozen letters before you get an answer.

*By Mr. Factor:*

Q. Could you submit a statement with regard to the textile industry?—A. I will prepare a statement for the textile industry, subdividing the industry into the cotton industry, then the rayon industry, celanese, silk, raw silk, etc., if you like.

Q. Yes.—A. In the Province of Quebec there has been a large development in natural silk and there is the associated textiles at Lennoxville and you have two or three in Sherbrooke and one at Drummondville, and then there is one away down in the new district, Montmagny, where you have two or three plants starting up.



*By Mr. Kennedy (Peace River):*

Q. Could you give us the average earnings of employees per annum.—A. It is impossible.

Q. It is impossible, you think no one has that?—A. You could get it from the governments, or from a federal source, I am not filing any employers' reports, except for employees who are receiving a certain amount of money, as recorded in my report.

Q. You state with regard to the federal sources, the Dominion Bureau of Statistics, that would only be true provided the girls had worked; that is, they were taking an hourly wage and multiplying it by the number of working days.—A. You can't do that.

Q. It would not be a true picture?—A. No. You see, what we are doing, we are taking the regular pay, if it is one week, it is one week; or it may be two weeks, then we take two weeks, say as applied to the textile industry. Formerly we used to follow the example given to us by the Ontario Board, we have followed it very closely, and we adopted their policy at the beginning. We used to take it for twelve weeks, that is three months, but it used to vary in the different industries, and in the case of small firms in a period of three months' time, workers may have been replaced two or three times during the period. We have trouble enough getting weekly reports without trying to get reports covering a longer period.

*By Mr. Sommerville:*

Q. How many weeks' report do you get now from employers in your Province, you do not get a report every week?—A. To illustrate that point, in one case our inspectors went out for five consecutive weeks, one after the other, then we went to other lines and other firms and these were checked two or three times at least.

Q. But, generally speaking, what is the report required from the employer of one hundred or more employees?—A. He is giving us his regular pay sheet.

Q. Once a year?—A. Once a year, and whenever we have a complaint we check it up. I might just as well be open with the committee and tell you that we have on our files five firms which are more or less unfair firms.

Q. I suppose you have both fair firms and unfair firms?—A. There are some firms who are always the same in not paying wages, and they receive visits by our inspectors at least once a month, we check them very closely; but with a fair firm we do not need to check so much because they make the return of their payroll and we know they are fair.

*By Mr. Factor:*

Q. But the employer fixes the week for inspection?—A. Oh, no, they do not, the inspector who goes there picks whatever week he wants to go, and these manufacturers have nothing to do about it. He has the authority to tell the employer he wants to see the books and the payroll, and if the manufacturer says something to the effect that the inspector can mind his own business and he will attend to the return; well, if he doesn't do what the inspector asks we send the bailliff over and he will seize the books and invite the employer to come down to the office and submit his books and payroll to our inspector.

Q. The return that the employer makes is for one week?—A. The regular payroll.

Q. And that week you say is taken by the inspector?—A. We make the selection as a rule for the annual report, the report that is used for making the statistics, as as to cover the same period for all employers in the same industry.

*By Mr. Sommerville:*

Q. Your report is based upon one week's experience from each employer.—A. That is it.



Q. And it is practically the same week for all the employers in a given industry?—A. Yes, and these are used as a source of information for statistical purposes.

Q. It is for the purpose of checking up?—A. That is right.

Q. Do you select the week in the industry which is the busiest week, or what is your basis?—A. As a rule we prefer a middle course, not taking it in a peak time and not at the lowest depression period. We have copies of audits at the office for each industry. We would take a census say of the printing industry and when we have finished that, we would take another industry, and we follow that system throughout the year.

Q. I see.—A. And for checking purposes we go whenever we wish to, but that is not used for statistics.

Q. Let me make it clear, Mr. Francq, with regard to the serious difficulties which you find in the needle trades, that relates particularly to the manufacturing of the cheaper grades of clothing, does it not?—A. Well, you see, you have got to divide the needle trades into men's clothing and women's clothing, for one thing; and another thing, is the sub-letting of contracts to contractors and sub-contractors—the trouble with the ladies' dresses, always, you know (now I am speaking from my own experience) in dealing with these needle trades, the trouble with the ladies' dress industry is the number of small firms competing with each other; they are in business to-day, they are out of business to-morrow, they are a fly-by-night trade.

*By Mr. Factor:*

Q. They would be better off as working men than as manufacturers, is not that the situation?—A. From what I know of the district of Montreal, the ladies' dress industry is run mostly by young men, while the clothing trade is run by older men, and believe me the "ladies' dresses" are pretty clever, you have got to watch them before you accept their report.

*By Mr. Sommerville:*

Q. But even in the men's clothing department that you speak of, that has again to be divided into workmen's clothing and fine clothing?—A. I do not know that we should do that, Mr. Sommerville.

Q. Do you not find that these problems arise more with the cheaper grades of work clothing?—A. Whenever you see cheap products, you cannot expect to get as much out of your work actually done, although it is practically the same amount of work, but you cannot expect to get the same return.

Q. I notice, dealing with the evasions, that you find difficulty in getting employers to keep true records of working hours, that is, as you say in this memorandum:—

1. Employers are not keeping a true record of the working hours of the pieceworkers, sometimes an employee has spent 9 or 10 hours in the shop and is only recorded for 4 or 5 hours. Employers admit that the employees were there but unemployed, that if the board insists on enforcing the waiting time clause, they will compel the employees to quit the shop upon completion of their lot and return later; this, they claim, could be repeated three or four times a day.

Have you any means of checking that up?—A. No, none at all. You see the girls start in at eight in the morning and get work till ten o'clock, and at ten o'clock there is nothing ready—the work goes from one department to another, it is all specialized to-day—and the forelady will tell the girls there will be nothing for you before one o'clock, you had better go home and come back at one. The girl says, well why should I waste two car tickets going home and

coming back to the shop, and she stays in the shop. They are not taking any record of the time she has worked, because she is on piece work. That is why we have recently published our order in council by which we say we are not interested as to whether this girl has worked or not, but if the inspector finds out from the time sheet that she has been in, you will have to pay.

Q. Yes, but because of the representations of the employers that they would send the girls home, you do not insist upon that at the time?—A. We have got to use diplomacy in all these cases.

Q. Then the next point in your memorandum reads:—

2. If the amount of work done by pieceworkers is falling below the minimum wage, employees are told by the forelady or some one in authority, not to punch the time-recording-clock for a certain period, a half day or a full day; the same thing goes on when employees are compelled to work overtime, this also goes for time workers, their full time is not recorded.

That is the experience that you have?—A. That is our experience in many, many cases; we have found that.

Q. Have you found this instance; that if a girl succeeds in making within a dollar of the minimum wage required that the firm would pay her the additional amount to make up this week, but the next week if she makes over the minimum wage, they take it off?—A. I must confess, very humbly, Mr. Sommersville, that it has not come to the attention of the board, and I never thought of it myself.

The CHAIRMAN: That is a tip.

*By Mr. Young:*

Q. It is a complaint, Mr. Francq, is it not?—A. That is what it is. I think you will find that more in the commercial establishments, the stores, etc., than you would in factories; they are not taking that much trouble in the factories.

*By Mr. Sommersville:*

Q. Then item 3 reads:

3. In some instances, two or three employees are working together, but the amount of work done is credited to only one, making her wages appear to be in excess of the minimum rates, while they are much lower; another way of evading the law, employers compel their workers to bring work to their home to do at night, so the time worked in this way is never recorded.

A. That is a new development in the industry. Whenever it is possible, and to evade the minimum wage regulations, they compel employees to take work home with them at night and they bring it back in the morning; so much so that in some cases we have found that they are employing trucks to make deliveries.

Q. Using a truck to take the work home at night?—A. Yes.

*By Mr. Young:*

Q. Is that piecework?—A. Yes, piecework. They use the truck to distribute it. Supposing they are closed on Saturday afternoon, that truck delivers the merchandise to the homes of the girls and they come back and get it on Monday.

Q. They worked Saturday night and Sunday?—A. Yes, and they came in and out. There is no way of checking these things. That is why I put in the various ways of evading the minimum wage law.



Q. And then there may be five or six persons working on that particular work at night, and then that all goes to make up the minimum wage of one person; is that a fact?—A. Yes. If it was not I would not put it here.

Q. I want to get it clear. "The full working time is not recorded on pay envelopes, so that unless the employee keeps a record of her time herself, she has no means to check the time recorded, this seems to be a prevailing custom at the present time; some employers mark on the pay envelopes the amount of wages the employee should get, but simply remit to her whatever amount they feel like giving her?"—A. The first part of it, it is the general custom. The pay is made up in a small envelope coming from the bank where it says, "open a savings account and deposit every week some of your spare money." They have not got even enough to keep them alive. Sometimes the name of the employee is recorded; but I must say that I am sorry to have to state very openly that some employers do not even know the names of their employees; they are recorded under a certain number, and whenever they make their report you will find in the reports one name, Florrie, Blanche, Jeanette, and so on—no other name. Whenever the inspector asks him the name of that girl he says, "I don't know. You had better go over and ask her." Never is there a name on the pay envelope. All that is marked on it is \$10, \$6, \$7—whatever it may be—and that is the end of it. Now, unless the girl is keeping a true record of her time of working and she comes to the board to make a complaint, what can we do? Now, regarding the other part of it—the second part of it—sometimes to be within the law the time-sheets are correct, the envelopes are correct, because it is a well known fact to-day that we have advised all the girls to keep their pay envelopes and whenever they have a complaint, to bring their pay envelopes to the board, so that we know what is marked on the pay envelope and the minimum wage recorded on the time sheets and on the payroll; but we do not know what is going on.

*By the Chairman:*

Q. You do not know what is in that envelope?—A. Even if we know—we have cases when we have sent inspectors over to factories on pay-day before the girls got their pay. The inspector steps in and says, "look here young lady you open that envelope before me, I want to see what is in it." If we are going to enforce a law you have got to take the means to enforce it or else drop it. It is no use to have a law as a dead letter on the statute book.

Q. Did you ever find cases where there is not the proper amount in the envelope?—A. Yes, inspectors will tell you that.

*By Mr. Sommerville:*

Q. Is that a frequent occurrence?—A. No. As I said before, Mr. Sommerville, we have a list of unfair firms. They are always the same and the quicker we are able to drive them out of business the better for all concerned.

Q. No. 5:—"Experience at the trade is not properly recorded, in many instances employees count the time of experience only from the date such employees are in their employ?"—I must say to the justification of often fair firms it is a very difficult matter. We have not settled that problem yet. I do not know if any other provinces have been able to solve that problem, but we have not. A girl may ask for a job, and she may say, "well, I have two years' experience or three years' experience." She may have some experience in some other line, in some other work. If you take that time as experience he has got to pay her the experience work pay.

Q. We have had a number of complaints that really experienced operators are taken on at the inexperienced rate. That is what you are referring to here,



is it?—A. Yes. Now, the only way we could check that is in increasing the 50 per cent of apprentices and experienced girls, and we will do that eventually if business picks up again.

Q. By the way, Mr. Francq, perhaps you did not get this clear: what proportion of the payroll must come up to the minimum wage in the province of Quebec?—A. Regarding the time workers?

The CHAIRMAN: Piece worker.

The WITNESS: Regarding time workers, 100 per cent; regarding piece workers—every girl must be paid according to her experience if she is a time worker. So far as piece workers are concerned, 80 per cent, the same as in the province of Ontario. But I must admit that personally I am absolutely against that 80 per cent clause. We need it to protect the slower workers, but that slow worker has been extending so much to-day that we do not know who is a fast worker and who is a slow worker; and the board is contemplating submitting at the next conference of the employers to do away with any mention of piece work. We will simply say, "no girl shall be paid less than that; it is up to you to pay it; employ this worker, but she must be paid according to that." We will have to go after that.

The CHAIRMAN: Is that a maximum?

The WITNESS: A minimum, that is all.

*By Mr. Sommerville:*

Q. On what will the 20 per cent allowance for slow workers be based?—A. It can be overcome by simply giving permits to slow workers, handicapped workers.

*By Mr. Factor:*

Q. Are there many permits issued of that kind?—A. We have quite a lot at the present time. I have got at the present time 237 workshops having a permit, 830 permits in force at the present time, 156 on handicapped old-age workers, and 637 girls having more than the apprentice experience of the trade but performing a minor operation. I do not know if I am explaining that right to the committee. Girls have been kept from doing a minor operation for which you cannot logically ask the employer to pay the experience minimum wage. What will be the result? If you insist, the girl is fired and loses her job and she cannot get a job anywhere. She is suddenly thrown on the street. I am taking care of that in another place.

Q. There is another fact. We find in clause 6 of this report: "Manufacturers are subletting their work to contractors and sub-contractors at a very low price that does not permit them to pay their employees the minimum wage, some of them are subletting work to one of their employees in their own plant and on their own machinery?"—A. Yes.

Q. And that is a means—A. Yes, Mr. Sommerville, here is a case. Supposing a manufacturer knows that he has taken a contract at a very low figure, and to try to make good with it he will simply ask one of his workmen, "will you job that work; I am willing to pay you so much for it." And he takes girls working for that workman who becomes an employer. Now, to overcome that, I have submitted to my government an amendment to the law whereby the manufacturer will be responsible for the wages paid to the employees of his sub-contractors providing the sub-contractors employ those that work in the manufacturing workshop or on the machinery of the employer. Now, we will get that eventually.

Mr. SOMMERVILLE: I think that covers the matter very fully.

*By Mr. Boulanger:*

Q. I would like to ask you about the shoe trade. Do not the rural shoe shops pay a lot less taxes than the city shops?—A. Yes.

Q. And is not their overhead less than the overhead of city shops; is that also a fact?—A. No, the overhead expenses to a certain extent but not to any extent worth mentioning. The tax is all right, the location is all right; but so far as the administration expenditure is concerned—what we call in business general overhead expenses—I think they are high. I am not prepared to say they are lower than in the city.

Mr. SOMMERVILLE: You are speaking of the country.

The WITNESS: Undoubtedly. That is my estimation again. You cannot sell your products in the country. You have got to get an office in Montreal or Quebec or somewhere else. You have got to dispose of your finished product. The manufacturer located in Montreal does not need to have a special sale office—while the manufacturer—the country manufacturer has got to keep a staff in the city. Now, after all is said and done, Mr. Boulanger, his overhead expenses are just on the same level, if not higher; and we have taken that into consideration in framing up the orders for covering the rural districts, because we have said, "well he is handicapped in one way, he has got to pay the transportation of the raw material and the finished product." The rural manufacturer has got to train his own help. He has not a supply of labour in the open market, while in the city practically any manufacturer may find his own staff to-day and three days after it might be replaced by another. You cannot do that in the country. If you fire your girls you are out of luck; you have got to train some new girls. That is not so in the city of Montreal. That was all very well when everything was normal, but not to-day.

*By Mr. Boulanger:*

Q. Is the difference in taxes or power in favour of the rural manufacturer big enough to give him a chance to take orders at a lower figure than the city man?—A. If you join that with the lower minimum wage they are certainly at an advantage.

*By Mr. Somerville:*

Q. The minimum wage plus taxes—the lower minimum wage in the country plus the lower taxes in the country?—A. The minimum wage is based on fifty-five with the exception of the shoe factory, because it is a new order. Now, the shoe factory to-day—the difference is very little to-day.

Q. Is that so?—A. It is practically alike. Now, you have got No. 7 in Montreal. They are running from \$7 to \$11 on 48 hours. In Quebec another factory located in municipalities of over 3,000 is running from \$6 to \$10, and in rural districts they are running from \$6 to \$9 on 48 hours. It is always decided by the manufacturers themselves. There were 18 people at the joint conference, 6 employers, 6 employees and 6 representing the general public, and the vote was 17 against 1 in favour of that. So we can say very truly that this is the expression of opinion of the people interested in that trade. There was only \$1 at the bottom between Montreal and Quebec and the rural districts and \$1 at the top. In other words, we have increased considerably from the \$5 minimum—from \$4 to \$5 on 48 hours—for 55 hours—up to a minimum of \$6 to \$9 on 48 hours. That was quite a jump—absolutely necessary by the administration of the manufacturers themselves. It is not the board that is setting the minimum wage.

The CHAIRMAN: No. I understand that. Now, gentlemen, Mr. Francq has certainly been very generous with us and with his time. He desires to get back



to Montreal for an important engagement this afternoon, and I would like to thank him for giving us this very valuable information and assistance.

The WITNESS: I thank you very much, sir, for your kindness to me.

Mr. SOMMERVILLE: I presume that you will co-operate with the committee in regard to any information they may require?

The WITNESS: Whatever you need. We will try to comply with your requests.

Witness discharged.

The committee adjourned until 3.30 p.m.

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### AFTERNOON SESSION

The CHAIRMAN: Before the next witness is called, there are two telegrams I shall read, and then I wish to make very brief observations in regard to them. The first is a telegram from J. S. McLean of Canada Packers, and is addressed to me. It reads:

February 28, 1934, Toronto, Ont.

Hon. H. H. Stevens, Minister of Trade and Commerce, Ottawa.

In his evidence before your committee yesterday Commissioner Laver of Toronto mentioned two employees of Canada Packers namely a male shipper and a female packer who had been paid allegedly unfair wages I telephoned Commissioner Laver this morning asking the names of these two employees Mr. Laver stated he was unable to give these names and I am therefore wiring you to ask for them. Without names I cannot specifically refute Mr. Laver's charges but I feel sure his statements are quite without foundation; the lowest wage which a regular male employee at Canada Packers Toronto can draw a full time week is sixteen dollars and eighty cents. Therefore a serious mistake must have been made in the case of the shipper cited by Mr. Laver. As to the female employee I do not understand Mr. Laver's statement as reported; but no female employee of Canada Packers receives less than the rate specified by the Ontario Minimum Wage Board and nearly sixty per cent of female employees receive more. I wish to give an immediate statement to the press as to the good name of Canada Packers is involved in this matter and therefore respectfully request you to telegraph me the names of the two employees mentioned by Mr. Laver. I also respectfully request the opportunity at the earliest possible date of putting the facts officially before the committee.

(Sgd.) J. S. McLEAN.

The second telegram is addressed to me, also dated at Toronto, and reads as follows:

Hon. H. H. Stevens, Minister of Trade and Commerce, Ottawa.

We brand as absolutely false Commissioner Laver's report re this company and criticize him for not investigating more fully stop Union labour only employed in this brewery minimum rate 45 cents per hour stop Example reported at yesterday's hearing was paid 49 cents an hour



for 18 hours or two day's work only, and evidently his services were not needed any further stop This company's time book open to inspection and we insist on a public retraction of Commissioner Laver's statement.

(Sgd.) COSGRAVE EXPORT BREWERY COMPANY,

Per JAMES F. COSGRAVE,  
*President.*

In regard to these two wires, may I suggest this to the committee: that an answer might be sent to each of them to this effect; that already the committee has appointed an investigator to check up each of the 41 cases mentioned yesterday by Mr. Laver and further to check the general subject matter which he presented, namely that there were more than 1,400 underpaid persons on part or full time who were receiving relief considered necessary by the relief board, and that this investigator be requested to communicate at once with these two firms who have communicated with us. Does that meet with the approval of the committee?

Suggestion agreed to.

Now, in regard to Mr. McLean's request to be heard. Of course, we shall be glad to hear Mr. McLean at any time it is convenient, and we shall try to make our arrangements convenient for him. It might be well to allow our investigator to see him before we fix the date.

The witness for this afternoon is Professor Cassidy of Toronto University. Professor Cassidy has made a study and an investigation of labour conditions and rates paid to labour chiefly, I think in what is know as the needle workers' industry.

PROFESSOR HARRY M. CASSIDY, called and sworn.

*By Mr. Sommerville:*

Q. Before we take your statement, I think we should have a statement on the record of your own investigation. You are the assistant professor of social science at the University of Toronto?—A. Yes.

Q. You, in common with Professor F. R. Scott, the associate professor of law, McGill University, made an inquiry into labour conditions in the men's clothing industry?—A. Yes, we did.

Q. The inquiry related to the men's clothing industry?—A. Yes.

Q. And this inquiry was made at the joint request of the Canadian Garment Manufacturers' Association and the Amalgamated Clothing Workers' Union?

The CHAIRMAN: Professor, would you mind speaking a little louder so that the reporters and others may hear your replies?

The WITNESS: Very good, sir.

*By Mr. Sommerville:*

Q. Your investigation covered men's and boys' fine clothing only?—A. Yes.

Q. It did not have anything to do with the cheaper grade of wearing apparel, overalls?—A. Not directly, no.

Q. And as independent investigators acting for both the Amalgamated Manufacturers' Association and the union, you had access to the records of the various firms who were members of the association?—A. Not of all, no. We had access to the records of certain firms, those that had agreements with the trade union concerned. There are, I believe, many firms that belong to the association which do not have agreements with their unions.

Q. That is to say you had access to the records of those firms that are called union shops?—A. Generally speaking, yes.

Q. And in that industry there are a good many shops that are non union shops?—A. A large number, yes.

Q. So your report does not deal directly with this large number of non union shops?—A. Oh sir, definitely. We got certain evidence from the non union shops as well as the union shops. However, in the case of the union shops, we had the full co-operation of the employer; in the case of the non union, we had not, naturally.

Q. You got that information in other ways?—A. Yes.

Q. Then, your report being related to the fine clothing, you have not a report upon workmen's clothing and overalls, or women's clothing or anything of that kind?—A. Not directly, no.

Q. When did this inquiry take place and when did you complete your report?—A. The inquiry was initiated about August of last year.

Q. August, 1933?—A. We completed our report in December.

Q. December, 1933?—A. Yes.

Q. And did that inquiry cover both the provinces of Ontario and Quebec?—A. Yes, it did.

Q. In respect of the class of industry you have just described?—A. Yes.

Q. And the class of shops you have described?—A. Yes.

Q. Will you kindly give to the committee the benefit of your observations on that inquiry?—A. Very good, sir.

Q. By the way, you have a report?—A. Yes.

Q. Will you be good enough to file that?—A. I will be very glad to do that, yes.

Q. That is a complete report?—A. Yes.

Q. Then you have made a synopsis of it?—A. Yes.

Q. From that synopsis you are going to give to the committee the benefit of some of your observations?—A. Yes.

The CHAIRMAN: May I suggest gentlemen, that Professor Cassidy be allowed to make his statement as far as possible, first, so that he may get it on the record in as consecutive a manner as possible. Then, we can reserve our questions until he has made his statement, always within reason, of course.

The WITNESS: There are a few carbon copies here which I shall distribute to the members. I should like then, Mr. Chairman and gentlemen of the committee to present this report upon which Mr. Sommerville has already interrogated me. In this memorandum which I have prepared I shall try to summarize briefly our findings, particularly upon these matters of wages and earnings, and observance of labour laws in which, I understand, the committee is particularly interested at the moment. And in conclusion I shall venture to make a few general observations upon conditions in other industries than the one which we studied in detail.

The men's clothing industry is concentrated very largely in Ontario and Quebec and, indeed, in the two cities of Toronto and Montreal. In 1931 there were 180 establishments, representing an investment of some \$21,500,000, whose output was valued at about \$34,000,000, according to the Dominion Bureau of Statistics' figures. Montreal's output made up 50·2 per cent of the total for 1931, Toronto's 30·5 per cent, while some of the smaller towns in Quebec such as Victoriaville, Joliette, Hull and Quebec city, along with Hamilton in Ontario, provided most of the remainder. Prior to the depression the average number of employees was some 11,500, but by 1932 this had declined to 9,285, according to the Dominion Bureau's figures. Small factories, gross seasonal irregularity and intense competition (including competitive undercutting of labour standards)



have for long been characteristic of the industry. Even before the depression the condition of the trade was far from healthy, and the effects of the depression upon almost all concerned in it, worker, reputable employer, sweatshop proprietor and investor, have been disastrous.

*Labour conditions.*

Prior to the depression the wage rates of the clothing workers were relatively good, so that when they worked steadily they were able to make fairly good annual earnings. But irregular employment, for seasonal reasons, was even then a chronic problem, so that on the average they could count upon only some 36 to 40 full weeks of work per year. In Toronto the more skilled men could earn from \$1,700 to \$2,000 per year, while skilled women could make \$1,000 to \$1,200, with the less skilled earning considerably less and with earnings in Montreal probably somewhat lower. All wage-earners in the industry earned, on the average \$1,068.30 in 1929, according to census of industry reports.

But the depression, with its accompanying unemployment and increased under-employment, brought wage reductions and has forced the workers far below their far-from-good pre-depression position, until the great majority of them in the industry are now close to or below the border line of abject poverty. It is probable that the wage-earners attached to the industry have worked no more than 50 per cent of full time since 1931, on the average. In other words, unemployment and underemployment, spread over the whole group, has been equivalent to the total idleness of half of them. Business improvement in 1933 has reduced unemployment somewhat, but it is still very heavy.

Serious wage reductions have also operated to cut earnings. In Toronto the union workers took three wage reductions of 10 per cent each from 1929 to 1933, but in September of this year they gained a 10 per cent increase, so that their present rates are about 20 per cent below 1929 levels. Non-union workers in Toronto and most of the Quebec workers have had wage reductions probably much more severe than this.

For these reasons average annual earnings have been drastically reduced, so that it is probable that they did not exceed \$600 or \$700 on the average in 1933, for men and women wage earners taken together.

In my report there are some detailed tables of annual earnings, if the committee would be interested in them at this point.

Mr. SOMMERVILLE: We will have that report.

The CHAIRMAN: Just cite the page.

*By Mr. Ilsley:*

Q. Do they show how you get that \$600 or \$700?—A. Yes, they do.

The CHAIRMAN: Just cite the page of the tables that you wish to refer to.

The WITNESS: Appendix beyond page 109.

*By Mr. Factor:*

Q. These three wage reductions, do they apply in every factory or is that the average?—A. That is applied to union workers in Toronto. Non-union shops never have records of the exact wage reductions, but that is pretty nearly the rate. Reductions in union shops in Montreal in general are probably more severe than in Toronto union shops.

*By Mr. Young:*

Q. There was an increase of 10 per cent in Toronto; was it the same in Montreal?—A. There was an increase in Montreal in September of last year when the strike took place, and when the amalgamated clothing workers succeeded in unionizing a great number of the Montreal shops.



Q. What was the increase?—A. The increase varied from shop to shop, 60 and 70 per cent in some cases.

Q. In the rate of wages?—A. Yes. Rates have been made very low in some cases.

*By Mr. Sommerville:*

Q. An indication of the extreme cuts that had been made in non-union shops?—A. Yes. Mr. Chairman, that is table No. 7.

Q. Even that increase of 60 or 70 per cent in the wages of these men did not bring them to a point where they were earning as much as in Toronto union shops after the strike?—A. I should think not, in the great majority of cases. I have only a very few figures of annual earning. It is exceedingly difficult to get any figures of that kind, except as one turns to a census of industry data. In table No. 7 of my report, there are some figures for 1932, covering all employees—that means salaried employees as well as wage earners. This is from the census of industry reports. It shows the average earnings for all employees in Montreal were, \$930 in 1932, and for contractors were \$521. I should point out that is men and women and salaried persons as well as wage earners, taken together, which naturally tends to hold up the total figure pretty well. For other cities and towns, apart from Montreal, Toronto, Quebec, Winnipeg and Hamilton,—which means very largely Quebec,—we figure the average earnings for 1932 for all employees, for general manufacturers \$766, and for contractors, \$487, approximately.

*By Mr. Factor:*

Q. That is for the province of Quebec?—A. Mainly Quebec, yes. The table is taken to show other cities and towns in Canada.

Q. What about in Toronto?—A. In Toronto the figures show general manufacturers \$940 in 1932.

*By the Chairman:*

Q. What table?—A. Table No. 7; and contractors \$652.

*By Mr. Heaps:*

Q. Mr. Cassidy, these are annual wages received during the year?—A. No, Mr. Heaps, these are figures of average earnings calculated from reports of the census of industry, Dominion Bureau of Statistics.

Q. What I mean to get at is does that sum you have just mentioned represent the annual salary or wages received by either the managerial staff or employees?—A. The annual average for the whole group taken together, managers' wages all lumped in together, men and women all together.

*By Mr. Sommerville:*

Q. Does it also include administration?—A. Yes. More specifically, there is a little more definite evidence in Table 12 of the report. Table 12 I constructed myself from the pay-roll records of two representative union shops in Toronto where I should say relatively good standards prevail. These tables cover 115 men and 39 women in these two shops, first taking the annual earnings of the women in 1932, that is all the women who were regularly on the pay-roll of these two shops throughout the full year.

*By Mr. Factor:*

Q. Working the full year?—A. Yes, not that they worked full time, but they were on the pay-roll during the full period.

*By Mr. Sommerville:*

Q. For the full time that the factory did work?—A. Yes. 16 of these women earned \$400 or less, 16 of the 39; 20 of these women earned from \$401 to \$600; 3 of these women earned from \$601 to \$800.

Q. These would be experienced operators?—A. In most cases they would be, in the great majority of cases.

*By Mr. Factor:*

Q. Have you a record of the time they actually worked?—A. I have not got it here. These figures reflect very largely short time, under-employment, of course.

Q. You have no record of the actual time that they worked in order to earn those moneys, that is to show the average was the minimum wage?—A. I can show that to you in a different way, with other tables; if I may turn to it again, the table shows that 6 of the 115 men earned \$400 or less; 21 earned from \$400 to \$600; 30 earned from \$600 to \$800; 31 earned from \$800 to \$1,000; 13 earned from \$1,000 to \$1,200; 9 earned from \$1,200 to \$1,400; 3 earned from \$1,400 to \$1,600; and only 2 earned more than \$1,600.

*By Mr. Sommerville:*

Q. And those were in two representative union shops?—A. Yes, two thoroughly good, standard, union shops.

Q. Employees in non-union shops would, of course, get a good deal less?—A. I am pretty sure of that.

*By Mr. Factor:*

Q. That is 1932?—A. Yes, 1932.

Q. With the men, you have no records at all of the actual time worked?—A. No, I have not got that here.

*By Mr. Heaps:*

Q. Mr. Cassidy, are those employees to whom you have just been referring mostly working on a piece work rate or an hourly rate?—A. In those two shops, piece work was most common; the great majority of both men and women were on piece work.

Q. Is that the general procedure in the needle industry?—A. It is quite general in the main needle industry, yes.

*By Mr. Sommerville:*

Q. This covers only the full time of working in the shop during the year of 1932, and these men being employed during the full working time of that factory during that year, indicates the amount of employment?—A. Yes.

Q. That experienced men would have?—A. Yes.

Q. In these two representative shops during the year?—A. Yes.

Q. To that extent your figures reflect their earnings?—A. Yes. You see, practically all of these men—all but about 25 of them—earned less than \$1,000 in 1932.

*By Mr. Young:*

Q. You have no idea how long they worked to earn it? We want to know how long they worked to earn it.—A. I have not got my basic records here to answer that question exactly, but I can give you the rough opinion that it would be perhaps from 50 to 60 per cent full time.

*By Mr. Senn:*

Q. Were these men being paid the union scale of wages?—A. Yes, they were being paid the union scale of wages.

*By Mr. Factor:*

Q. It just shows under employment?—A. Oh, precisely; that is the main factor.

Q. In this figure?—A. Yes. If I may continue with my report:

Following such general information, our report next goes on to present more detailed evidence of the conditions prevailing in the summer and autumn of 1933. This data was obtained from interviews with a large number of both union and non-union workers, from pay-roll records and from certain other sources. While we cannot vouch for the accuracy of every statement made to us or our assistants by workers, we believe that the substance of what our interviews revealed, checked wherever possible by our methods, is reasonably accurate. I shall take up separately our findings for Ontario and Quebec.

In Toronto the union has agreements with shops employing from 85 to 90 per cent of the 2,500 or 3,000 workers attached to the industry. All of the larger firms except the T. Eaton Company and Ontario Boys' Wear are union shops.

Q. When you say, "the industry," you refer to men's clothing only?—A. Yes.

*By Mr. Sommerville:*

Q. In this industry, Toronto and Montreal are the main centres?—A. Yes.

While hourly rates for Toronto union workers were still relatively good in the autumn of 1933 (in spite of the wage reductions mentioned above) under-employment was so prevalent that their actual weekly and monthly earnings were very poor. Thus in August last the average weekly earnings of 68 out of 105 union men surveyed were only from \$10 to \$20, while all but three of 38 union women earned less than \$12.50, with 13 of them earning \$7.50 or less.

In the Ontario non-union shops we found much lower hourly wage rates as well as the ever-present under-employment, so that actual earnings were even worse than in the union shops. Thus 13 non-union men reported full time weekly earnings in August and September from \$7 or \$8 to \$22, or from 18 cents to 46 cents per hour. Out of 47 men from another non-union shop, 29 reported weekly earnings for full time in October of less than \$12.50, while 4 of them said that they received from \$5 to \$7.50.

*By Mr. Sommerville:*

Q. Per week?—A. Yes, per week, in Ontario non-union shops.

Mr. FACTOR: There are only about 10 to 15 per cent non-union shops according to your report?

*By Mr. Senn:*

Q. Is that in Ontario or Toronto?—A. That is in Toronto, sir. In Hamilton the union also prevails.

Q. The same percentage?—A. Well, perhaps it is better. Whereas there are a few shops scattered in other towns—in Cornwall for example there is one—these are non-union shops usually.

Continuing: Women's wages were even lower. Thus 40 out of 44 women from this same shop reported full time earnings of less than \$12.50 in October—

*By the Chairman:*

Q. Per week?—A. Per week.

*By Mr. Heaps:*

Q. For a full week's work?—A. For a full week's work.

*By Mr. Factor:*

Q. That was contrary to the Minimum Wage Act?—A. Quite definitely; there were clear violations in these shops of the Minimum Wage Act.—while 5 said that they worked for less than \$7.50 weekly.



*By Mr. Young:*

Q. Full time?—A. Full time, yes.

One woman from another non-union shop, who had a child to support, reported a wage of \$6 for a 44-hour week, or 14 cents per hour. In still another shop 3 experienced finishers, working as a piece-work team reported average earnings of \$11 to \$12 for from 50 to 60 hours work during October, or about 20 cents per hour. Direct information from 8 women employees of a large factory at Cornwall indicated wage rates for a 49-hour week, varying from \$4.50 to \$16. The highest paid non-union woman interviewed in Toronto reported average weekly earnings in October of \$16.45 for 49 hours, or 35 cents per hour.

*By Mr. Sommerville:*

Q. That was higher?—A. That was higher.

Q. For an experienced operator?—A. Yes.

*By Mr. Heaps:*

Q. Are not all these figures for experienced help?—A. No, they are not necessarily; when you go and interview groups of workers you get them sort of in together, you take a sort of run of the mill sample, from some girls 15 to 18, inexperienced, and some older people who are inexperienced, and so on. Of course we can sort that out afterwards, but in my tables I have not done so. The preponderance of them were inexperienced workers, and adults however.

These are merely samples of wages and earnings, of course, but we think that they serve to illustrate the total situation fairly well. I might say it was very difficult to obtain information from non-union workers in most cases, because they were terrified that their employers would discover that they had talked to us about wages and would penalize them with discharge.

There is a much more detailed statement in my report about those conditions. I have merely summarized a few things in this memorandum.

While the normal work week in Toronto is usually considered to be 44 hours, actual working hours vary tremendously, short time alternating with much overtime. In the fall of 1933, some union firms worked their employees fifty or sixty hours weekly, or more in rush periods. Employees from non-union shops reported working 60 hours or more, in some weeks of the summer of 1933. Some reported working for 13 hours in a day, while others said it was common on busy days to work until ten or eleven p.m.

*By Mr. Factor:*

Q. Were they paid extra for overtime?—A. This is practically all piece-work where they got what they made.

This alteration of short time and long hours is a reflection of bad organization in many shops as well as in the industry itself.

I may say we were struck in our interviews with manufacturers with the statement constantly that when work came in they simply had to work as fast as possible, and as they were pressed, they therefore worked their employees to get the job out in a tremendous hurry—a reflection I think of the competitive struggle which is becoming very keen in the industry.

*By Mr. Sommerville:*

Q. You mean they would take it if they could.—A. Well, in explanation of that I would say there was shortage of work all around, and if a firm had an opportunity, with an order to deliver goods three days hence, that firm would consider that an opportunity for working its people very long hours.

*By Mr. Factor:*

Q. Many of these demands are seasonal, are they not?—A. Very definitely, and between seasons these orders would come along.

Shop conditions in the union shops were generally very good. This is true also of several non-union shops. However, there were serious complaints from workers about some of these, and one at least of those inspected was filthy, unsanitary, crowded, and quite lacking in the ordinary physical amenities.

I might say at this point that the Factory Act of Ontario provides that employers must provide towels, wash rooms, drinking cups, and pure water. These are small things, but a fair number of the shops in Toronto did not provide these ordinary amenities for their employees.

*By Mr. Factor:*

Q. Non-union shops?—A. Some union shops as well.

Q. Union shops as well?—A. Yes. And it was a common thing in a clothing factory to find workers with pop bottles at their machine which they used for drinking out of. It may seem to be a little thing but it is not a little thing to the worker on the job, necessarily.

Employees from non-union shops, as well as some of those from union shops complained of the intense speed at which they had to work to make any sort of earnings at all with piece rates so low.

*By Mr. Factor:*

Q. If you will pardon me, Mr. Cassidy; is the piece work fixed by the union in the union shops?—A. In the union shops by agreement between the two parties the employer and the union; yes.

Q. I mean these complaints were from the union shops or non-union shops.—A. Some came from union shops.

Q. They were not satisfied with the very agreement that the union made.—A. In some cases, no.

*By Mr. Ilsley:*

Q. Did you have some cases where the employer did not recognize the union?—A. As I have already intimated, Mr. Ilsley, about eighty-five per cent covers that. We have a certain number of shops, I am not giving an exact number, because I am not sure of it, ten or a dozen or more, which do not recognize the union.

*By Mr. Sommerville:*

Q. But there are some large shops that do not recognize the union in Toronto.—A. There are but two main ones, the T. Eaton Company and the Ontario Boys' Wear. The rest of the non-union shops are small shops.

Employees from non-union shops as well as some of those from union shops complained of the intense speed at which they had to work to make any sort of earnings at all with piece rates so low.

The WITNESS: All workers interviewed reported drastic declines in standards of living during the depression. Many reported debts, loss of insurance policies, loss of homes, and practically all, of course, reported loss of savings. A great majority said they lived in "rooms" or "flats". Thus, of three men from one shop, one with three dependents lived in two rooms, another with three dependents lived in three rooms, and a third, with a wife and child, lived in a two-roomed flat. These quarters were in a dilapidated section of Toronto, where slum conditions prevailed.



Mr. FACTOR: That pictures Toronto, there, Mr. Sommerville.

Mr. SOMMERVILLE: Well, this is one industry.

The WITNESS: Most of the women, as well as the men, had dependents or were contributing the support of families. Thus out of 30 women from one non-union shop, practically all of whom were earning less than \$12.50 per week, the amount decreed by the Minimum Wage Board as necessary for the maintenance of an independent working woman, 21 were married and were the sole providers for their families, or were helping to support them; eight were single, but were helping to support their families; while only one girl had no dependents and no family obligations.

*By Mr. Sommerville:*

Q. You say that the Minimum Wage Board requirement provides only for the living of one girl, but you found in these cases 21 out of 30 women were married and providing for their families as well out of the \$12.50 they were able to earn?—A. Yes. Six out of these 30 women belong to families who were drawing public relief. They, of course, could not be expected to support their families completely, and that compels families to seek relief. I think I might mention this point, Mr. Chairman, at this time; that it seems that women in this industry are normally expected to be wage earners as well as the men. The complaint of the factory man has been that a man could not earn enough to support his family, and the women are expected as a matter of course to be earners also.

*By the Chairman:*

Q. Among those employed in this industry, that is common, is it?—A. Yes.

*By Mr. Ilsley:*

Q. You found men who could not support their families unless their wives were working in the industry as well.—A. His wife would go out, if she could get a job; if not the wife, the 15, 16 or 17 year old daughter; or perhaps the sister would be living with the family, and also working. These families, then, are to a very large degree supported not just by one wage earner, but by two, or sometimes more wage earners. The earnings that can be obtained by the husband, the head of the family, ordinarily are not large enough to enable him to keep a family.

Q. Then these six out of the thirty women belonging to families that were drawing relief, would that be because there were no other wage earners bringing any money into these homes?—A. Those were cases, for example, where the husband was unemployed, and the woman was contributing what she could to the family's support, but it would not be sufficient to keep the family going on without the husband working. And, I think I may say this, if a woman can make her \$12.50 a week with all the scrimping and scraping which is being done these days, she might have sufficient to keep a family on. But the process is going on in spite of all the Minimum Wage Board says about that being requisite for a single woman. That may be requisite for a single woman to support herself on with any degree of decency, but it is quite possible that, if she had to, she could get along very well for herself if she were only getting \$7 or \$8 a week.

Some of the other employed workers, men and women, also belonged to families on relief. At this point I might note that the workers usually receive their pittance in pay envelopes provided by the banks, such as some that I have here, admonishing them to thrift, to the building up of savings accounts. One may question whether the admonitions are appreciated by workers who get six to ten dollars a week!



I happen to have some of the pay envelopes which I thought might be of interest to you, Mr. Chairman.

The CHAIRMAN: Here is one and it shows that they get \$7.90, another \$7.60, and one \$7.20, \$5, \$5, \$5, \$6, and \$8.

*By Mr. Heaps:*

Q. Is that for 1933, Mr. Chairman?—A. These are for 1933, Mr. Chairman.

The CHAIRMAN: And I see that these envelopes are printed and they say "your pay envelope and one of our savings account pass books make a strong team that can help you to financial independence".

Mr. YOUNG: When were these envelopes printed?

The CHAIRMAN: It says "The bank has been in business since 1832"; and it says, "Deposit a portion of your earnings in the bank, and it will help you to financial independence".

*By Mr. Factor:*

Q. That is rubbing it in with a vengeance.—A. I think it is, rather.

*By the Chairman:*

Q. Just by the way, Professor Cassidy, were these envelopes taken from any particular girl; or could you identify where they came from?—A. Yes, I can. These are the pay envelopes of one girl employed in a non-union shop in Toronto for some eighteen consecutive weeks up to the end of about October 1933.

*By Mr. Heaps:*

Q. She was employed full time.—A. Yes.

*By the Chairman:*

Q. Just let me read the amount shown on each of these envelopes. Each one is marked 32A, I suppose that is the identification.—A. That is the number of the employee.

Q. I want you to note these, gentlemen, and I want to put it on record; they show \$4, \$4.50, \$5, \$4.65, \$5, \$5, \$5.50, \$6, \$8, \$8, \$7.90, \$7.90, \$7.90, \$7.90, \$7.60, \$7.90, \$7.20, \$7, \$8, and \$6.

*By Mr. Young:*

Q. How do you account for the difference, Mr. Cassidy, between the \$4 and the \$8.—A. I am told that in this particular instance, these were the wages paid to the girl from the time she joined the enterprise and the increase is very simple to explain, she was a more or less inexperienced worker, and as she gained in experience, her wages were adjusted upwards.

Q. These envelopes are not arranged in the order in which payment was made.—A. No.

Q. There are some payments at \$4 and others at \$8.—A. I presume she was on a time basis.

Q. There is one thing here which I think should go on the record. This envelope here says "Your pay envelope and one of our savings account pass ports make a strong team that can help you to financial independence".

An Hon. MEMBER: Out of \$5 a week.

The WITNESS: I turn next to the Quebec situation.

Mr. EDWARDS: Are these stores or firms allowed to take deposits from their employees as savings deposits?

The CHAIRMAN: That is just an advertisement for the bank, which supply the envelopes free to the firm which uses them.

*By Mr. Sommerville:*

Q. Now, you have dealt with the Ontario situation.—A. Except that I am coming back to the discussion of the labour laws of Ontario in a moment.

In Quebec, in contrast with Ontario, most of the shops were not working under union agreements until the Amalgamated called a strike in Montreal in September last year, which led to wage increases and new agreements and substantial union control of the Montreal industry. A number of shops in out-side towns were also unionized at this time.

Wages and earnings in Quebec were found to be even lower than in Ontario. Unemployment and short time played their part in keeping earnings very low, but even those employed full time received very little. Thus in a small Montreal contract shop (eight men and three women) wage rates before the strike in September last ranged upwards from eight cents per hour, only three of the workers being paid 20 cents and over. In another shop one of the workers in this shop received \$5 or less weekly before the strike, while 52 out of 77 were paid \$7.50 or less. The full working week in this shop was 55 hours.

We found one family of six in a Joliette shop, two females and four males, whose wages were listed in the books as four at \$2 per week, one at \$5 and one at \$7 regardless of hours worked. One young girl of 19 in Ste. Rose received \$2 for 55 hours' work before the strike, or less than four cents per hour.

*By Mr. Heaps:*

Q. This is all men's clothing trade, is it?—A. Yes.

*By Mr. Sommerville:*

Q. This whole inquiry is limited to men's clothing, am I right?—A. Yes.

These are but a few examples of the very low rates we found to prevail in Quebec country establishments.

We were informed that there were some home work shops in Quebec, in which conditions were even worse than in the factories, but we did not get much reliable information about them.

*By Mr. Sommerville:*

Q. What kind of work were these people doing, they were general sewing machine operators?—A. Sewing and various operations on a garment.

Q. Sewing machine operators got 9 cents per hour?—A. I could not say as to that off-hand, sir.

Q. And what are the men doing who get ten cents an hour?—A. I can only say that they are all shown as sewing machine operators.

*By Mr. Factor:*

Q. But these men with five or ten years' experience must have received their experience doing something?—A. The term needle trades will best express that; apart from certain finishing operations, they are all sewing machine operators of one type or another.

Now, at this point, Mr. Chairman, I might give the members some of our original reports taken from pay-roll records which will probably answer the question in more detail, I think.

Then, in Quebec, as in Ontario, there was great diversity of working hours, rush periods and long hours alternating with slow periods and short hours. In one shop in Montreal in one week of August, we found that out of 31 workers, 11 were working 54 hours or less, seven were working from 55 to 64 hours, and 13 were working over 65 hours. We found an extreme case of a head presser

who worked day and night, running up to over 100 hours in one week. In other shops it appeared that when work was available, hours of almost any length would be worked.

In the country shops wage rates and earnings were even worse. Minimum wage board reports show that 120 females in seven firms outside of Montreal were earning \$10 or less for a 50 hour week. . . .

It should be 120 out of 250. That is a typographical error.

. . . (e.g. 20 cents and less per hour). Wage sheets of one country shop which we examined showed that before the September strike, 24 out of 44 women were working at 10 cents per hour or less, and 6 men out of 26 men at the same rate, and only two men and one woman out of 70 earn more than 25 cents per hour.

*By Mr. Sommerville:*

Q. Two men?—A. Yes.

Q. Two men and one woman?—A. Out of a total of 70 earn more than 25 cents per hour.

Q. Sixty-seven earned 25 cents or less.

*By Mr. Heaps:*

Q. Was that below the minimum wage regulations of the province of Quebec?—A. Men are not covered.

Q. I am speaking of the women?—A. The great majority, probably, yes.

*By Mr. Senn:*

Q. Were they engaged in piece work?—A. I would have to look up the shops in question. In the Quebec country shop we found that a good many were time workers rather than piece workers, whereas piece work was much more common in Ontario and it is quite general in Toronto.

*By Mr. Sommerville:*

Q. If that is so, your time payment would be 10 cents an hour for 24 out of 44 women?—A. Yes, 24 out of 44 were working at 10 cents per hour or less.

Q. That would be on a time basis?—A. Yes, certain weeks last summer, about August of last year.

*By Mr. Factor:*

Q. Before the strike?—A. Yes, before the strike.

Q. Has it improved since the strike?—A. Yes, in those shops that were unionized the wage rates were increased 50, 60, and 70 per cent. The rate is low in some cases.

Q. How far have they been unionized since the strike?—A. The majority of Montreal shops have been, and the minority of the shops outside of Montreal, I believe.

*By Mr. Sommerville:*

Q. In those shops which have not been unionized were these rates still prevailing, from your enquiry?—A. After the strike?

Q. Yes?—A. On that score I cannot speak with assurance. I presume they would have been. I should explain this, perhaps, gentlemen, that the independent investigator has a hard task going into a particular industry like this unless he gets the co-operation of the employer because he must accept the statements of individual workers. Individual workers are liable to be unre-



liable in what they say, and in the face of fear of unemployment they are liable to avoid an investigator, even if he is a harmless person from a university, as they would the plague, because they are afraid of talking and constantly afraid of being discharged. Now, our information I should explain, possibly, in Quebec was fairly full, because the strike took place in September. We went in after the strike to shops that were now unionist shops and were given cases having reference to the weeks preceding the strike. Therefore, we were able to get a picture of what non-union conditions had been preceding the strike. We were, of course, refused, by a number of employers, permission to examine their pay-rolls—employers who were not under pressure, if you like, to co-operate, and which the unions could provide.

*By Mr. Factor:*

Q. Which showed an improvement of 50 or 60 per cent?—A. In a number of instances, yes. To go back to the shop I was mentioning a moment ago:—

Nearly one-third of the workers in this shop received \$5 or less weekly before the strike, while 52 out of 77 were paid \$7.50 or less. The full working week in this shop was 55 hours.

Q. Does that refer to male and female help?—A. That applies to the whole group, men and women.

*By Mr. Sommerville:*

Q. That is average?—A. Yes. "We found one family of six in a Joliette shop, two females and four males, whose wages were listed in the books as four at \$2 per week, one at \$5 and one at \$7 regardless of hours' work."

Q. That is a total of four at \$2 making \$8, one at \$5 making \$13, and one \$7 making \$20?—A. Yes.

Q. That is \$20 for the total wages of two females and four males?—A. Yes.

Q. Six persons got \$20 for an entire week's work?—A. Yes.

*By Mr. Factor:*

Q. Do you mean regardless of the hours of work?—A. In this particular instance, Mr. Factor, the report indicated that irrespective of hours of work this was the amount weekly received by these people.

*By Mr. Young:*

Q. What was the idea? Have they to work a day to get it or six days?—A. I think the expectation was they would not work a day. These are the normal cases; there is no allowance for overtime.

*By Mr. Edwards:*

Q. They did not come into time and a half, overtime, or double time?—A. Evidently not. "One young girl of 19 in Ste. Rose received \$2 for 55 hour's work before the strike, or less than 4 cents per hour.

These are but a few examples of the very low rates we found to prevail in Quebec country establishments."

Now, if the members of the committee would care to see some of our detailed records taken from paysheets I can pass them around.

The CHAIRMAN: Perhaps it would be better to give us briefly from what they disclose, and then we could print one or two in your evidence that would be typical, and the rest could be filed.

The WITNESS: Very good, sir.

The CHAIRMAN: Try and make your selection typical if you will.

The WITNESS: May I read, perhaps, half a dozen or ten and file the others to save time?

*By Mr. Factor:*

Q. Are these pay-sheet records?—A. Yes, records copied from pay-sheets for certain weeks preceding the strike of September last. Professor Scott of McGill handled this end of the work and his assistants kept the sheets. They endeavoured to take fair samples, not to choose the worst week.

*By the Chairman:*

Q. They were not extreme cases?—A. No, sir.

Q. You are quite satisfied with that?—A. Yes. Here is a little detail from one shop in Joliette—the case of a female worker, three years' experience, who prepares coats, \$5 weekly rate or 9·1 cents per hour.

Another female, three years' experience, same occupation, preparing coats, \$3 weekly rate, 5·5 cents per hour.

Button sewer by the piece, a girl, two years' experience, \$4 weekly rate, 7 cents per hour.

*By the Chairman:*

Q. May I interrupt you there? Do you recall how many buttons, for instance, one of those button workers would attach to garments in a day?—

A. No, sir. I am sorry I have no idea.

Q. We will get that. I know it is a very large number. It would be interesting for the committee to get it, but we will get it from other sources?—

A. A male—

Mr. FACTOR: She would not be playing half the day.

The CHAIRMAN: It would surprise you what it means.

The WITNESS: Male operator, seven years' experience, \$10 per week, or 18 cents per hour.

Female finisher, \$4 per week, no experience listed here, 7 cents per hour.

Male presser, twelve years' experience, \$20 per week, 30 cents per hour.

Male presser, seven years' experience, \$7 per week or 12·7 cents per hour.

*By Mr. Factor:*

Q. How do you account for the difference between the two male pressers, one receiving \$20 per week and the other \$7?—A. I cannot say in this case not having copied these figures myself originally, not knowing the particular circumstances.

Q. There must be some reason, must there not?—A. There probably would be.

The CHAIRMAN: Is it piece work?

The WITNESS: No, sir, these were time workers.

*By Mr. Heaps:*

Q. What do you mean by time workers?—A. People who are getting a certain specific amount of money for a given number of hours per week.

Q. Supposing a man gets 20 cents per hour, is not he expected to do a certain amount of work within that hour?—A. That depends entirely upon the internal shop arrangements.

Q. I know from my own personal experience. I have been working at time work and I know if you have two hours to do a piece of work you are compelled to do it in the two hours. Is that what you mean by time work? Irrespective of the amount of work they perform, do they receive that amount of money?—

A. Irrespective of the amount of work they perform they receive that money.

Mr. EDWARDS: They do not perform any if they do not produce?

The WITNESS: Yes.

Mr. SOMMERVILLE: They must produce or they are not retained?

The WITNESS: Yes, sir.

Mr. KENNEDY (Winnipeg): Are you sure this is not piece work?

The WITNESS: I am quite certain of that. These were time workers according to my records.

*By Mr. Factor:*

Q. Do they keep a certain quota that they have to produce?—A. Again I cannot speak of this particular shop. I can say this generally that I do not think there is anything, shall we say, so sophisticated as any sort of quota system in most of the small clothing shops. People are hired to do work and the employer tries to get as much as possible out of them; but he does not have anything like the Bedeaux system to work for quotas that you will find in the larger establishments.

*By the Chairman:*

Q. A little later we will have some experts, both workers and employers, who will give us evidence on precisely what the practice is in that regard. If you will give me that list we will give it to the reporter?—A. Yes. Perhaps I could file it.

WAGE DATA COPIED FROM PAYROLL RECORDS OF QUEBEC  
COUNTRY CLOTHING SHOP, AUTUMN, 1933

Workers' occupation	Sex	Experience	Weekly wage rate	Hourly earnings
Button sewer . . . . .	F.	1 year	\$ 5 00	9.1
" " . . . . .	F.	6 mos.	5 00	9.1
" " . . . . .	F.	1 year	5 00	9.1
" " . . . . .	F.	1 " "	4 00	7.3
" " . . . . .	F.	6 years	7 00	12.7
Pocket maker . . . . .	F.	3 mos.	5 00	9.1
" " . . . . .	F.	12 years	15 00	27.3
" and lining maker . . . . .	M.	9 " "	7 00	12.7
Finisher . . . . .	F.	8 " "	6 00	10.9
" " . . . . .	F.	" "	3 00	5.5
" " . . . . .	F.	2 mos.	3 00	5.5
" " . . . . .	F.	2 years	3 00	5.5
" " . . . . .	F.	3 mos.	3 00	5.5
" " . . . . .	F.	1 ans	5 00	9.1
" " . . . . .	F.	4½ years	8 00	14.5
" " . . . . .	F.	9 mos.	2 50	4.6
" " . . . . .	F.	6 mos.	2 50	4.6
" " . . . . .	F.	2 years	4 00	7.3
" " . . . . .	F.	15 mos.	6 00	10.9
" " . . . . .	F.	6 years	11 00	20
" " . . . . .	F.	4½ " "	7 00	12.7
General work . . . . .	F.	3 " "	6 00	10.9
" " . . . . .	F.	3 " "	7 50	13.6
" " . . . . .	F.	5 " "	6 00	10.9
" " . . . . .	F.	1 year	5 00	9.1
Lining maker . . . . .	F.	6 years	15 00	27.3
" " . . . . .	F.	6 " "	5 00	9.1
" " . . . . .	F.	2 " "	4 00	7.3
" " . . . . .	F.	15 dys.	2 50	4.6
" " . . . . .	F.	4 mos.	2 50	4.6
" " . . . . .	F.	1 year	6 00	10.9
" and collar maker . . . . .	F.	4 years	5 00	9.1
Shaper and general work . . . . .	M.	45 " "	10 00	18.1
" " . . . . .	M.	22 " "	13 00	23.6
Canvas by machine . . . . .	F.	1 year	5 00	9.1
" " " . . . . .	F.	1 " "	5 00	9.1
" " " . . . . .	F.	2 years	5 00	9.1
" " " . . . . .	F.	2 " "	5 00	9.1
Special machine . . . . .	M.	14 " "	7 00	12.7
First presser . . . . .	M.	15 " "	20 00	36.2
Lapel machine . . . . .	F.	3 " "	7 00	12.7
Sleeve maker . . . . .	F.	2 " "	4 00	7.3
" " . . . . .	F.	6 " "	5 00	9.1
" " . . . . .	F.	4 " "	6 00	10.9
Basting shaper . . . . .	F.	5 " "	7 00	12.7



WAGE DATA COPIED FROM PAYROLL RECORDS OF QUEBEC  
COUNTRY CLOTHING SHOP, AUTUMN, 1933—*Concluded*

Workers' occupation	Sex	Experience	Weekly wage rate	Hourly earnings
Cleaner.. . . .	F.	6 mos.	5 00	9.1
" .. . . .	F.	4 "	5 00	9.1
" .. . . .	F.	1 year	5 00	9.1
Edge presser.. . . .	M.	1½ "	5 00	9.1
" .. . . .	M.	4 years	3 00	5.5
" .. . . .	M.	2 "	3 00	5.5
Presser.. . . .	M.	6 "	4 50	8.2
" .. . . .	M.	4 "	7 00	12.7
Finish presser.. . . .	M.	11 "	12 00	21.8
Shoulder presser.. . . .	M.	12 "	12 00	21.8
Fafileur coar.. . . .	M.	2 "	10 00	18.1
Joiner.. . . .	F.	3 "	3 00	5.5
Coat preparer.. . . .	F.	4 "	5 00	9.1
" .. . . .	F.	8 "	5 00	9.1
Close shoulder.. . . .	F.	4 "	7 00	12.7
Cutting machine.. . . .	F.	5 "	6 00	10.9
Pocket cutter.. . . .	F.	5 "	5 00	9.1
Boureuse d'épaules.. . . .		2½ "	6 00	10.9
Button sewer.. . . .		3 "	5 00	9.1
" .. . . .	F.	2½ "	6 00	10.9
Piping machine.. . . .	M.	2 "	5 00	9.1
Examiner.. . . .	M.	2 "	9 00	16.3
General operator.. . . .	M.	10 "	12 00	21.8
Asst. fitter.. . . .	M.	7 "	9 00	16.3
Preparer les crats.. . . .	F.	4 "	5 00	9.1
Sleeve presser.. . . .	F.	2 "	5 00	9.1
Fitter.. . . .	F.	15 "	10 00	18.1
Presser finisher.. . . .	M.	8 "	10 00	18.1
Canvass.. . . .	F.	1 year	3 75	6.4
Pique clothe.. . . .	M.	21 years	10 00	18.1
Pique les collet.. . . .	M.	13 "	12 00	21.8

We were informed that there were some home work shops in Quebec, in which conditions were even worse than in the factories, but we did not get much reliable information about them.

*By Mr. Sommerville:*

Q. Is that the condition Mr. Francq was describing?—A. Yes.

Q. The kind of place where they take the staff down on trucks on Saturday?

—A. Yes.

Q. And in some cases where they work exclusively in the home?—A. Yes.

Q. A number of persons work in the same home?—A. Yes.

Q. Sometimes the members of the family and other persons come in to work?—A. Yes. I might explain one in Toronto. In this particular instance a father and one or two sons and a daughter had set up a little workshop in the two front rooms of their home and they were living in the upper rooms and carrying on contract work themselves in their home. That is what is known as a home shop, but that is a form of organization which has prevailed in the clothing industry not just in Canada but elsewhere to a considerable extent in days gone by. The worst form of sweatshop usually one will find in such an establishment. This particular shop in Toronto was too small to be subject to the jurisdiction of the Factories Act or of our Minimum Wage board, so that the members of the family were working there and working long hours for whatever they might receive.

*By Mr. Factor:*

Q. Less than four employees?—A. Less than five.

*By Mr. Sommerville:*

Q. You were speaking as to wages and earnings. Will you proceed?—A. "In Quebec as in Ontario, there was a great diversity of working hours, rush periods and long hours alternating with slow periods and short hours. In one shop in

Montreal in one week of August, we found that out of 31 workers, 11 were working 54 hours or less, 7 were working from 55 to 64 hours, and 13 were working over 65 hours. We found an extreme case of a head presser who worked day and night, running up to over 100 hours in one week..."

*By Mr. Young:*

Q. What did he earn?—A. I have not that. One jots down notes on these particular things without getting the history of the matters.

Mr. FACTOR: This party worked long hours.

*By Mr. Sommerville:*

Q. It is hours you are dealing with now?—A. Yes. "In other shops it appeared that when work was available, hours of almost any length would be worked.

In the country shops it appeared that long hours were even more general. Thus 176 female employees in a shop at Victoriaville worked 55 to 60 hours on the average in March 1933, while in one Joliette shop 14 per cent of the employees worked 55 to 60 hours or over in certain weeks of the autumn.

Shop conditions in Montreal and in country districts vary a great deal. Some are good while others are definitely bad. Most of the small shops in Montreal that we investigated were over-crowded and lacking in sanitary facilities. In one the general impression left by the disorganized over-crowding, foul air, absence of sunlight and piles of cloth was one of complete and utter disregard for the welfare and comfort of the workers. Driven by the iron law of competition the employer could think of nothing but keeping down his costs.

From what has been said, it appears that in both Ontario and Quebec, there has been an appalling degradation of labour standards during the depression. In both provinces labour in the men's clothing industry has been exploited and sweated. The suits we are wearing to-day, many of them, have been made in sweat shops, under disgraceful conditions.

*By Mr. Factor:*

Q. Would you not apply that statement to all the men's clothing shops in Toronto?—A. Not to all, by any means.

Q. You are applying it to the smaller ones, are you? Let us take a concrete example. I have a picture before me of the Tip Top Tailors.—A. I do not think they are shop men.

Q. This statement applies more or less to the smaller factories?—A. In Toronto, yes, pretty definitely; because in Toronto you have a situation where fairly good conditions prevail in a substantial section of the industry, and where very much poorer conditions prevail in a smaller section of the industry.

*By the Chairman:*

Q. You are speaking of shop conditions. When you say "shop conditions" you mean what?—A. Wage rates, hours of work, provision for physical amenities, all the things that go to make up working conditions.

*By Mr. Factor:*

Q. Do you think it is fair to include in your observations a remark such as this? "In both provinces labour in the men's clothing industry has been exploited and sweated. The suits we are wearing to-day have been made in sweat shops, under disgraceful conditions".—A. There is a very important phrase that you have omitted. "The suits we are wearing to-day, many of them, have been made in sweat shops under disgraceful conditions".

*By Mr. Young:*

Q. Have you any idea of the percentage of them; do you know how extensive it is?—A. Yes, I think I have some idea how extensive it is. Certainly I would say in the non-union section of the industry it is perhaps ten or fifteen per cent of the total in which there have been very bad conditions prevailing. In the province of Quebec the conditions generally have been worse than in Ontario; there is no doubt about that.

*By Mr. Factor:*

Q. In Toronto, Professor, you would say between 90 and 95 per cent of the production of the men's clothing is produced in those large and sanitary factories. Am I safe in making that statement?—A. Well, large and sanitary, Mr. Factor? No, not produced in the large and sanitary factories. Tip Top Tailors, of course, does dominate the Toronto industry and supplies a very substantial portion of all the output in Toronto. Then, there are a number of smaller shops employing from 50 to 200 workers, from 50 to 100; and then there are about 20 shops employing from 10 to 50 workers. I think you will find worse conditions in a number of those smaller shops.

Q. What percentage?—A. What percentage of the production of men's clothing is produced in those smaller shops?

*By Mr. Young:*

Q. Unsanitary shops.

*By Mr. Factor:*

Q. Unsanitary shops.—A. Shall we speak of them first as smaller and secondly unsanitary.

*By Mr. Young:*

Q. We are not so much concerned about the size of the shop as we are with the extent to which those conditions prevail.—A. So far as the Toronto section of the industry is concerned, I would say 10 or 15 per cent.

*By Mr. Ilsley:*

Q. Corresponding with the non-union proportion?—A. Yes.

Q. You do not say that in the non-union shops the conditions are bad, and in all the union shops the conditions are good. You do not say that, do you?—A. No, uniformly good. Of course, there is a very important point there. I think generally, one can say conditions, wage rates and all hours of work are generally fairly good in the union section of the industry. It is not a matter of praise or blame, just a statement of fact. The union interests, obviously, have officials checking up that kind of thing, and obtain fairly good conditions, within limits?

Q. I gathered you were complaining of some conditions in union shops as well?—A. Yes.

Q. Just for information, why are they not all unionized? Take the industry as a whole. You mentioned one or two places where unions did not exist. Is it because employees do not take the trouble to organize, or is it because their employers would not recognize them, or would dismiss them if they had organized themselves into a union. What is the fact about that?—A. A combination of both, I think, Mr. Ilsley. It is true, is it not, that the majority of the employers in any industry would prefer not to deal with any union, if they could avoid it.

*By Mr. Edwards:*

Q. Not always.—A. Not always. That is true, perhaps in the majority.

Q. Very many industries prefer to deal with the shop committee?—A. Yes.



*By Mr. Ilsley:*

Q. You mentioned one well known company that has a non-union system. Is it that they will not recognize a union or is it because their employees do not bother to organize, do not trouble themselves about it?—A. A combination of both. There is a non-union policy pursued. I desire not to deal with the union or non-union field—

The CHAIRMAN: Gentlemen, I think it would be a mistake for us to get into a discussion on union versus non-union, except insofar as the witness wishes to state what he found in his investigation. I mean, we are not going to call anybody to task because they run an open shop.

Mr. ILSLEY: We must keep remedies in mind.

The CHAIRMAN: Yes; but that would come as a matter of consideration of the evidence after it is received. That is the thought that strikes me. I would not like at this stage to get into a discussion on the question of union versus open shop.

*By Mr. Factor:*

Q. I just want to complete my statement. I am sorry to see this in the professor's concluding remarks, where he says, "In both provinces labour in the men's clothing industry has been exploited and sweated." Now you say that ten or 15 per cent of the production you would place in that category; is that right, professor, or would you go that far?—A. I think I could fairly go that far, Mr. Factor, speaking of Toronto alone.

Q. I am referring to Toronto.—A. Of course, some shops outside of Toronto of which we only obtained evidence for one shop outside Toronto—

Q. Toronto is the centre?—A. Toronto is the centre.

Q. Centre of the industry?—A. Yes.

Q. So that about 85 or 90 per cent of the production is made under conditions that you cannot complain of?—A. I would not say that, Mr. Factor. I think if you happen to analyze the situation that is prevailing, one must note this, and I was going to mention this later, employers who have endeavoured to maintain fair conditions for labour have been severely affected by the competition of employers who have not been maintaining fair conditions. That has tended to pull down the standards even in the good standard shop; and I may say this, Mr. Young, that it has impelled union officials themselves to consent to a change in the working rules, and that again is a thing which they would never have consented to in the absence of the terrible pressure of unfair competition upon the good standard employer. For example, the matter of speeding up. This is a matter of common complaint amongst workers in one very large firm in Toronto, whose name I won't mention for the moment. But they are speeding up terribly, and union officials conceded that speeding up. Union officials have been placed in the position where the employer with whom they deal says to them, "Look here, we just got to cut our costs; we do not want to cut wage scales particularly, but we do want you to make a concession to enable us to meet this competition from ruthless competitors."

Q. Please do not misinterpret my remarks. I am not at all saying that I approve of all those things in the matter that you brought up, but what I object to was this, "In both provinces, particularly the province of Ontario, labour in the men's clothing industry has been exploited and sweated." I object to that general statement; or at least I would like you to particularize it more than that.

*By Mr. Sommerville:*

Q. Following that up, may I ask this: did you find in both provinces the conditions that Mr. Franck referred to this morning, that very respectable firms who had maintained good conditions in their own plant, were forced by

this competition to give out work to contractors, and these again to other contractors, and those passed it down the line to some of those places where you found conditions prevailing. Is that the condition you found both in Ontario and Quebec?—A. Not very much so in Ontario, because the contract shop system does not exist in Ontario to anything the same extent that it does in the province of Quebec. There are some contract shops, a list of a dozen or so, mostly small, and they, of course, do take work from the general manufacturer.

Q. If they were taken by the contractor from the general manufacturer they would appear as the product of the general manufacturer when sold?—A. Yes.

Q. Although they may have been produced, we will say, for the purposes of argument, in some outside place by a contract shop where conditions were very bad?—A. Yes.

Q. And along the lines of the conditions you have given us?—A. Yes. I do not think Mr. Factor is satisfied with my statement. He does not seem to have been entirely satisfied, because a general statement is always open—

*By Mr. Factor:*

Q. Where 90 per cent of the production of men's clothing in the clothing industry in Toronto is produced, according to your own statement, under satisfactory working conditions,—shall I put it that way?—A. I would not concede that, quite, Mr. Factor.

Q. You would not quite concede that?—A. No. I think if you examine my detailed report you will find a further detailed explanation of the articles leading up to that statement referred to in both those provinces. There is no question about that. In this particular industry, and there are others, on account of the absence of union control, the conditions found were worse than in Ontario. That is the main factor. It is not because of necessity, things are better in Ontario than Quebec; it just happens by a variety, a number of reasons, union has not had the same control in Quebec as it had in Ontario, and so sweating and exploiting has been greater, I think, in Quebec than Ontario.

*By Mr. Young:*

Q. Do you find, Professor, in the shops that are efficiently managed, conditions as a rule are better than in the inefficiently managed shops, both working conditions and wage conditions?—A. I am afraid I cannot speak with any degree of experience on what you call efficiency of management, so far as the impressions of an outside investigator like myself are concerned. The impressions I would get, I would be inclined to say, that an efficiently managed shop, from a technical point of view, is one where usually you will find better labour conditions.

*By Mr. Edwards:*

Q. Those shops or larger employers that you speak of, do they farm out any part of their production, the so-called better ones that you have spoken of?—A. I believe in some cases they do.

Q. Do they give it to some of those so-called sweat shops?—A. I think in some cases, yes.

*By Mr. Factor:*

Q. Have you investigated that angle of it?—A. Not very specifically, no, Mr. Factor.

*By Mr. Sommerville:*

Q. Not in Ontario?—A. Not in Ontario.



*By Mr. Factor:*

Q. I am referring to Ontario.—A. You see, in Ontario that practice is not very plentiful; it does happen in some cases.

Q. I was under the impression—I may be wrong—although that system prevailed about 20 years ago or less, it had completely ended, that there was no farming out and taking of work to your home.—A. I am not referring to home work.

Q. No home work in Ontario?—A. I found myself one home work shop in Toronto. Perhaps there are others, I don't know, but there are a number of small contract shops.

*By Mr. Edwards:*

Q. That is what I had reference to, small contract shops.—A. Yes.

Mr. SOMMERVILLE: Further evidence will be obtained in that regard.

*By the Chairman:*

Q. May I, following that point out, just read briefly an extract from your report at page 93:

Naturally the burden of the cutthroat competition which has been described has fallen more heavily upon the firms that have endeavoured to maintain fair conditions of work and wages and that have avoided sharp competitive practices. We were informed that firms of the sort had quite definitely lost business to lower standard concerns.

That is the evidence of your investigation?—A. Yes, very definitely.

Q. What I wanted to ask you there was this: verbally a moment ago you were referring to a firm which I think is generally known as one of the most up-to-date, efficient and high-class firms in Canada; is it correct that the work in that firm has been so speeded up in recent years, with the consent of the union officials and the workmen, because of the competition they had been subjected to?—A. Yes.

Mr. FACTOR: Competition from what source?

*By the Chairman:*

Q. I was just coming to that. That is what we are trying to come to. Have you any idea, or have you found in the investigation that you have been carrying on, from what source that particular type of competition comes? Can you answer that?—A. I can answer that, sir, in this way, in terms of what I have been told by manufacturers in the industry, who are the people particularly concerned, and my information from them is that competition is coming (a) from certain shops in the Toronto area that have had bad labour standards, and more particularly still from shops in the Quebec area that have had very bad labour standards.

Q. That is the direct competition that you are coming to. I am speaking of the causes of that competition, for instance the low price that was paid for the goods of these poorer standard shops which gave them the business. From what source does that business come?—A. From various sources, I should say; but, of course, the manufacturers in the industry which have been maintaining fairly good labour conditions complain bitterly that a large buying organization, the department stores mainly, have been setting the pace in the price cutting, which has made it necessary for certain concerns to pass on the cuts to their labour.

Q. Taking the typical case we had in mind of a high-class shop that had been forced, with the consent of union officials, to do this, they could not get the business that they have been accustomed to getting from these large buying



concerns if they did not cut the price of the other lower standard concerns, is that correct?—A. In the case of this particular concern, my understanding is that in the past it is not so, very much, but the large buyers, I believe, have done so lately. The forcing of the pace regarding price cutting has effects on every section of the industry.

Q. It comes from the large distributor?—A. The forcing of the pace, I understand definitely has come from there, yes.

*By Mr. Young:*

Q. That is to say that the small dealer is willing to pay a better price?—A. He is willing to pay a better price if the manufacturer can force him to pay a better price. It is a matter of bargaining.

Q. He is willing to pay a better price if the manufacturer can force him to, but you said that the large distributor now is forcing down the price?—A. Yes.

Q. The small distributor then must be willing to pay a better price for these goods; why don't the factories sell to the small dealer?—A. Well, of course, that is rather difficult; if the small dealer is faced with competition from the big dealer, he will offer prices at retail which are distinctly lower; the small dealer obviously has to compete with the large dealer.

Q. The small dealer is not offering any better price?—A. I think it is fair to suggest that he would have paid a somewhat better price than he has been paying, in the absence of this forcing down of prices by the large dealer. This is purely hypothetical, of course. One cannot prove that by any mathematical device. One can only offer that, I think, as an opinion.

*By Mr. Sommerville:*

Q. Has the large buyers' price had the effect of lowering the price throughout the industry?—A. According to my information, quite definitely, yes.

Q. And that would affect all the factories in the industry, irrespective of the trade to which they were catering, the retail trade?—A. Quite definitely, yes.

Q. In other words, the retail trade demanding to be put in a position to compete with the large concerns, would demand a lower price than they otherwise would be willing to pay?—A. I should think so.

Q. And that has had an effect throughout the industry?—A. Yes.

Q. Does the size of these orders have a very substantial effect upon the price that was paid for the work?—A. According to my information, I think I should say this, that that particular problem was not the centre of our investigation, so that my information upon that comes from statements of manufacturers and other people interested, and such other evidence as came along more or less incidentally, but I was informed definitely that the size of the order did have something to do with the price; when a manufacturer who was given an opportunity of a substantial order, saw at least in that a chance of keeping going for a month or so, or something like that, he was tempted therefore to take the order at a lower price than the price he would have expected for a small order.

*By Mr. Edwards:*

Q. Is not that taken care of by a basis of discounts? A man for instance purchases 100 of an article and he probably gets 5 or 10 per cent discount?—A. Yes.

Q. A man purchasing 5 of the same article would pay on a net basis?—A. Yes.

Q. Is not that pretty well taken care of in all industries?—A. Yes, I think it is a common practice.

*By Mr. Young:*

Q. Do you mean to say that that counts in the price of products? That is to say if a small dealer buys an article at 100, a larger dealer who buys more of them will buy them at 90, get a quantity discount?—A. No, sir, I do not say there is a quantity discount. It is a question of the retailer buying from the manufacturer at so much per quantity, so much per dozen suits or what not, and a separate price being set, if you will, for each order which is given.

The CHAIRMAN: Next week we will have evidence from retailers and manufacturers right on this question and they will be able to bring documents to support precisely what is done, and I notice the Professor is handicapped in really giving definite answers to some of these questions.

The WITNESS: Yes, they cover matters, quite frankly, rather outside of the scope of this particular investigation. I am not particularly familiar with their practices in that kind of thing. I am compelled to give you, therefore, more or less second-hand evidence rather than first-hand on this point.

If I may proceed—

Mr. SOMMERVILLE: Yes, if you will proceed.

The WITNESS: The next section I have here is called the protection of labour, and is concerned with labour legislation in the two provinces, particularly, and secondly with trade unions.

The Ontario Factory, Shop and Office Building Act prohibits child labour; limits hours of boys and women to 10 hours daily or 60 hours weekly, except that permits may be granted for them to work  $12\frac{1}{2}$  hours per day or 72 hours per week between 6 a.m. and 9 p.m.; forbids overcrowding and dirty conditions; and enjoins employers to provide certain physical amenities.

*By the Chairman:*

Q. Who is a boy under that act?—A. A boy under this act is one from 14 to, I think, 18 years of age.

Many of these provisions are adequate. But limitation of hours to 60 in the week or  $72\frac{1}{2}$  under permit is a relic of the dark ages of industrialism and is thoroughly inadequate. These provisions date from 1884, when the original Factory Act was adopted. Men's hours are not limited by a law at all.

*By Mr. Sommerville:*

Q. The limitation of hours is 60?—A. Sixty.

Q. As they were originally placed in the Factory Act of 1884?—A. Yes.

Q. And men are not limited in any way?—A. No. But there is my point that under permit women's hours may be twelve in the day or  $72\frac{1}{2}$  in the week.

*By Mr. Factor:*

Q. Under the Factory Act?—A. Yes, under the Factory Act.

Our survey of labour conditions makes it clear that certain clothing shops in Toronto, notably the non-union shops, frequently violate the factory code with respect to hours, sanitary conditions, record keeping, et cetera.

These violations are explained by the fear of employees of losing their jobs if they make complaint; by the small penalties, ranging only from \$10 to \$50 for infractions of the law, which make but little impression on the mind of the unscrupulous employer; and by the difficulty of the inspectors in checking up on many small shops in men's clothing as well as in other industries.

Q. Do you know how many inspectors there are under the Factories Act, in Toronto?—A. I believe there are 18 inspectors in all.



*By Mr. Sommerville:*

Q. For the province of Ontario?—A. For the whole of the province; and it means they have to cover a great many industrial shops. The needle trade, of course, is one of the most difficult trades to regulate because there are many small shops, and it is awfully hard to check up when they are working at night and doing that sort of thing.

Q. And they are mostly engaged in looking after sanitation and other conditions in the factory than wage conditions?—A. The factory inspectors are not supposed to look after wage conditions, excepting they are requested by the Minimum Wage Board on occasions to help them out with their administration.

Q. Yes, but they are requested to see that the cards are up?—A. Yes.

Q. And notice given the employees that they may learn what their rights are?—A. Yes, that is part of their duties.

Q. Will you proceed?—A. The minimum Wage Act you have heard described, and I need not go over the few things that I have described here. Our evidence shows clearly that there has been serious violation of the act in the men's clothing industry, at least in the non-union shops. I do not think there is much violation of the Minimum Wage Act in the union shops in Toronto or elsewhere in Ontario. In one of three union shops from which we obtained the full information, we found two cases of violation, but in all six non-union shops, five in Toronto and one in Cornwall, for which we have information, we found apparent violations. The two most notable cases of violation in Toronto, which were definitely corroborated by investigation of the Minimum Wage Board and court conviction may be noted.

In one case, that of a shop employing about 35 workers, we found quite inadequate records, and the board discovered that the names of some 6 women employees who were being employed, and grossly underpaid, did not appear on the record, contrary to law. One day, in company with the vice-chairman of the Minimum Wage Board, who kindly permitted me to go with him, I visited this shop. Afterwards I learned that six women had been hustled out of the shop and hidden in an elevator for fear that the discrepancy between the records and the number of women at work would be discovered.

In the case of another firm employing about 100 workers, our information from the women was that practically all of them were being underpaid on the basis of a 44-hour week, the normal work week in the industry.

*By Mr. Factor:*

Q. The basis of the Minimum Wage Board?—A. No, because the Minimum Wage Board has never yet exercised its power to define a normal work week.

*By Mr. Ilsley:*

Q. That 44 hours is the week recognized by the Minimum Wage Board?—A. No.

MR. SOMMERVILLE: No, they recognize whatever was usual; whatever was the usual number of hours of work for any factory, they recognize it—not necessarily in the industry. One factory might work 44 hours and another factory in the same industry might work 60 hours. The 44-hour man would have to pay \$12.50 a week to his women employees, and the 60-hour man would pay the same, \$12.50; is that not so?

The WITNESS: That is permissible under the law, yes.

*By Mr. Sommerville:*

Q. But whatever was the previous practice, the first was permitted to carry on that practice, as being compliance with the act?—A. Yes.



Q. In this case I understand the firm had, for some considerable time, declared that it carried on a 44-hour week?—A. Yes.

Q. And then it endeavoured to get around the law by changing that to a 54-hour week?—A. Yes.

*By Mr. Factor:*

Q. Was that a union firm?—A. No, this was not.

Mr. SOMMERVILLE: A non-union shop.

The WITNESS: The firm claimed that its normal work week was 54 hours, as it had the right to do under law. But this was clearly deliberate subterfuge. The board decided that this could not be sustained. We have reason to suspect that this firm was keeping false records. I may add at this point that the firm in question, Ontario Boys' Wear, has pleaded guilty since our report was written to violation of the law in the case of practically all of its women employees of last October, and has been fined some \$200 and ordered to pay about \$1,700 in arrears of wages. This followed upon some three months of investigation by the Minimum Wage Board, involving a large expenditure of time and, I presume, of money. The firm, which is owned by Syrians, has an evil reputation for unscrupulousness in the trade, and fully lived up to its reputation in this instance by the efforts it made to resist the investigation, as by claiming its normal week was 54 hours, providing inadequate information, and bringing pressure to bear by every means in its power to persuade those concerned in pressing the case to cease fire. Frankly, I consider the penalty in this case was absurd, in view of the enormity of the offence and in view of the fact that so substantial a firm must have saved many thousands of dollars through exploiting its defenceless, foreign-born women workers during the last few years.

*By the Chairman:*

Q. I suppose, Professor, that all your opinions now are based upon the court record of these convictions.—A. Yes, sir, in this instance.

Q. And you would not express that opinion unless there had been some convictions.

*By Mr. Factor:*

Q. They were convicted in 59 cases.—A. They were convicted in 9 cases on ten counts altogether, one of the cases being the keeping of inadequate records.

*By the Chairman:*

Q. That is a matter of public record?—A. That is a matter of public record, of course.

*By Mr. Sommerville:*

Q. They were not prosecuted in 59 cases, but they paid back the 59 girls —A. I am not sure of the exact number.

Q. I think Mr. Stapells gave us that yesterday. This firm had already reported to the Factory Inspection Branch that the normal working hours for men was 54 hours weekly.—A. Yes, I think that is right.

The evidence we have gathered leads us to believe that there has been serious and extensive violation of the Minimum Wage law in the non-union shops in Toronto, with many experienced workers earning no more than from \$8.00 to \$10.00 weekly in place of the \$12.50 which they should receive.

Enforcement of the Act has certainly not been easy during the past year or so, for with heavy unemployment, women have been willing to work for less than the prescribed rates, and employers, hard pressed to make ends meet, are much tempted to evade the law under these circumstances. The fear of losing

their jobs, which amounts to virtual terror in most instances, makes women workers unwilling to complain and even willing to swear falsely that they are properly paid. This fear on their part cannot be over-emphasized, so that a mere absence of complaint on the part of women is no evidence that the law is being observed. Another factor of difficulty is the chronic unreliability of employers' records in the small shops. The number of hours worked is a key point in determining whether or not there have been violations, and it is easy for the employer to set down a smaller number of hours than the correct figure and thus to deceive the officers of the Boards.

Moreover the Board appears to have had an utterly inadequate staff to cope with the situation. Until recently the Board's inspection and court work has been done mainly by one person, the Vice-Chairman, with such assistance as he might obtain from the factory inspectors, for whom enforcement of the Minimum Wage Act is not a primary responsibility.

Certain of the methods of the Board appear to be inadequate. Notably the Board has not exercised its powers to declare 44 hours as the normal working week for the men's clothing industry; nor has it, it appears to us, been drastic enough in insisting upon the keeping of proper records by employers, as it is empowered by the law to do.

Further the penalties under the Act appear to be quite too low to deter certain employers from disobeying the law. A fine of \$20 and costs, which is commonly imposed on a violation, is scarcely enough to frighten the undercutting employer.

The union, it appears to us, has been a much more effective instrument to hold up woman's wages than the Minimum Wage law. At the same time, the law has been probably operating to hold up women's wages to some extent. The fact that we found men's wages practically as low as women's in some cases supports this view.

I turn now to conditions in Quebec.

Q. That is, the legislation in Quebec?—A. Yes, I think that that was very thoroughly covered by Mr. Francq this morning, and I just propose to summarize a few things which I have here.

Quebec since 1926 has had a Minimum Wage Law for women, which is administered by four commissioners and by seven inspectors. The rates for Montreal range from \$7.00 a week of 44 hours for apprentices to \$12.50 for more experienced workers, while lower rates prevail in smaller towns.

The regulations of the Quebec Commission are somewhat lower than those in Ontario, and the Quebec Act would appear to be even more difficult to enforce efficiently than the Ontario Act.

The Quebec Commission is empowered to exempt firms from the law in any case of "exceptional conditions", and the number of permits for exemption has greatly increased during the depression—from 94 in 1931 to 1,067 on July 1, 1933; thus violation of the intent of the Quebec law has apparently been countenanced to some extent by the Commission. It should be added of course that this has been in the face of very difficult conditions. Another grave defect of the Quebec law is that the courts may only fine firms that evade the law, while employees must bring civil suits to collect arrears of wages. Few employees dare to face the risk and expense of hiring a lawyer and proceeding to a lawsuit and the practical certainty of losing their jobs in consequence.

Our evidence indicates extensive violation of the Quebec Act. Of thirty-one establishments for which we have evidence of one sort or another, no less than twenty-four were employing women at rates below the minimum scales and in apparent violation of the Act. In all shops over ninety-five per cent of the women were receiving wages below the standard.



*By Mr. Heaps:*

Q. Were these women working on a piece work basis or on a time work basis.—A. In some of these firms, Mr. Heaps, my recollection is that some were on a piece work basis and some were time records.

*By the Chairman:*

Q. It is very much inter-related, is it not?—A. Yes, it is, more or less tied in together; but as I said a moment ago the time wage system is more common in Quebec in the country districts. The piecework system is a type which is more or less sophisticated, the wage system which occurs in the more developed industries.

If I may continue so far as we were able to discover the Quebec Board was not receiving reports from a substantial number of men's clothing firms in Montreal.

This incomplete enforcement is explained in part by inadequate staff and also by reports from employers who are allowed to report one week's wages for a specific month in each year. Employers tend, naturally, to select the week which makes the best showing. Moreover many employers keep inadequate and unreliable records. The Board admits the problem of false reports from employers.

We discovered methods of evasion in Quebec similar to those in Ontario—such as not entering all the names of workers on payrolls, changing the workers from one type of work to another so that they could be classified as "learners" of a new process, false reporting of hours of work, etc. In addition we found evidence that women workers were being replaced by men and boys who would accept rates lower than those set for women. This, although no violation of the law, clearly tends to break down enforcement, because it deprives women of their employment.

The Quebec Factory Act forbids employment of children under fourteen and since 1930 has limited daily hours of boys and women to ten, and weekly hours to fifty-five. But permits may still be given for boys and women to work twelve hours daily and seventy-two hours weekly. The hours of men in the clothing industry are still unregulated by law. It is clear from our evidence that provisions of the Act limiting working hours have been violated recently on a fairly extensive scale. Thus in four weeks of last autumn one hundred and four women and girls out of one hundred and fifty-two employed in three country shops worked fifty-five hours or over, while sixteen of these worked sixty-five hours or over. Many permits to work more than fifty-five hours have been granted according to the 1932 report of the Minister of Labour.

It would appear to us that the Inspection staff is by no means adequate to watch the situation in the seven thousand four hundred industrial establishments listed as existing in Quebec in 1930.

I might say at this point, sir, that we received very helpful co-operation from the Quebec Minimum Wage Board in our investigations, and we feel that it is only fair to say that we feel they are up against an extremely difficult and trying situation.

Mr. FACTOR: Mr. Francq explained that to us this morning.

The WITNESS: I have next a few notes on trade unionism, I might just say this in a word—

*By Mr. Boulanger:*

Q. Speaking of Quebec legislation, have you seen a copy of the bill which has been introduced in the Quebec House by the Minister of Labour for the compulsory extension of labour agreements?—A. You mean referring to hours of work.



Q. No, the compulsory extension of wage agreements in industry.—A. I think that is just within the last year.

Q. It was just introduced a few days ago.—A. No, I have not seen that at all.

Turning now to trade unionism; the Amalgamated Clothing Workers have maintained a fairly strong control of the industry in Toronto and Hamilton since the War, but in Quebec the Union was largely ineffective for several years preceding the strike of September, 1933. This was occasioned in part by factional breaks in the ranks of labour, leading to communist dominated unions which challenged the position of the Amalgamated. In September last the Amalgamated, which had fought the communists consistently, succeeded in breaking their influence and in gaining the allegiance of the great majority of Montreal workers as well as of many outside Montreal.

In Toronto the union has succeeded in maintaining wage rates and working conditions for its members fairly well, although as I have noted it has had to concede wage reductions since 1929. Union factionalism in Montreal, on the other hand, had made union organization practically ineffective to protect wage rates up to last September. The labour conditions then prevailing were so poor that the Union, while it gained important victories, was still unable to bring wage rates and other conditions up to anything approaching good standards.

We believe that the Union has operated as a stabilizing force in a badly disorganized industry, but by itself it appears that it cannot adequately protect the workers.

Thus both labour legislation and trade unions have proved ineffective for the protection of labour in this industry. During the depression the labour laws in both Ontario and Quebec have been flouted and in any event the labour laws of both provinces are far from adequate. Perhaps their most glaring defect is that both permit, in effect, the barbaric institution of the twelve hour day and the seventy-two hour week for women and boys.

The last two sections of our report contain some analysis of the difficulties of the industry which have led to the degradation of labour standards I have described and some proposals for reform. I should like to say just a few words on these points.

The depression ranks first, of course, among the economic forces that have brought ruin to this industry and to its employees. Prior to the depression the situation was far from good, with intense competition prevailing, small profits for most successful firms, and losses and bankruptcy for many. The depression has intensified this situation very much, forcing out of business many concerns, including a number of old-established and formerly successful firms.

There appear to be certain inherent weaknesses in the industry which have made it particularly weak to resist general depression. One of these is that it has for long been over-crowded with small firms which compete fiercely. Another is that it has to deal, on the selling side, with certain large buyers, department and chain stores, who are much stronger bargainers than the numerous, and usually small, manufacturers. A third is that it is subject to gross seasonal irregularity which does not breed prudent and far-sighted management.

The competitive process during the depression has become more and more ruthless. There has been amongst the various firms a desperate struggle for a declining market—too small a market to support all of them. Drastic price-cutting has been forced by some firms, and others have had to follow. Department stores, as a means of maintaining volume of business for themselves have dictated prices in "take-it-or-leave-it" fashion and have forced the pace in the price war. The merchandising practices of the big retailers, in putting on

less-than-cost sales of fine garments or well-known brands as loss leaders have forced down prices terribly on good quality garments. This has also dealt a severe blow at small retailers, and this in turn has further strengthened the bargaining position of the big buyers as against the manufacturers. To meet the reduced prices, certain manufacturers have turned to utterly unfair trade practices, such as misrepresentation of goods, false advertising, curtailment of quality of materials and workmanship and sales on consignment—as well as the sweating of labour and the violation of labour laws.

The more reputable employers have striven to maintain fair trade practices, to treat labour fairly, and to obey the laws. But in so doing they have been penalized, as against their less scrupulous competitors, to whom they have lost business, and they have been under severe pressure constantly to play the same cutthroat game.

This fierce, unethical competition within the industry, subject to pressure from without, has led to the sweating of labour and the creation of untold misery for the workers and their families.

We venture to suggest, in the latter part of our report, that this situation can only be cured by a greater degree of intervention by the state—first, by the extension and the better enforcement of labour laws; and second, by the establishment of an agency for self-government within the industry, supported by the authority of the state, which will prevent unfair competitive practices and will act as a constructive body to stabilize the industry to the benefit of workers, employers and the general body of consumers.

*By Mr. Factor:*

Q. In other words, control by the state?—A. We have in our reports some concrete proposals for a board of control in the industry which, as I say, would be a matter as large as possible of self government in the industry itself.

Q. Controlled by the state?—A. We think as a means of getting that, certain legislative action will be probably necessary. I have a few notes about labour conditions in other industries.

MR. SOMMERVILLE: Your proposals for control are important. Perhaps you would be good enough to give us a few minutes on that and the remedies you suggest.

MR. FACTOR: You mean self government in industry supported by the state?

MR. SOMMERVILLE: Yes.

THE WITNESS: Yes. The first thing we suggest is, of course, the expansion of labour laws to make much more difficult competitive under-cutting of labour standards.

*By the Chairman:*

Q. Including male labour under minimum wage laws?—A. Yes. We venture to suggest the extension of minimum wage legislation to provide that no man may be employed at less than the rates prescribed for the women.

*By Mr. Factor:*

Q. You are not advocating a minimum wage law for men?—A. No, not specifically.

Q. A fair wage law.

*By Mr. Ilsley:*

Q. What you just said was a minimum wage law for men no less than the minimum wage law for women?—A. Yes. You can call it that if you wish.



*By the Chairman:*

Q. That is to meet the abuse, I presume, of substituting boys and men for women where the minimum wage law for women seems to be too high to suit the wishes of the employer?—A. Yes.

*By Mr. Factor:*

Q. If you enact a minimum wage law for men what is there to prevent the employer from merely paying the minimum wage? Is that fair?—A. If he can get away with it; but presumably in setting up minimum wage standards you are only setting minimum standards absorbed by law. Competitive forces, presumably, can operate above those minimum conditions.

Q. You do not think the employer will take advantage of the minimum wage law for men and merely pay the minimum wage as the maximum wage?—A. No, I do not think, frankly, that that view is a correct one. In any period when there is good business, any kind of shortage of labour, no matter what your minimum scale may be, wage rates will be shoved up by competitive conditions.

Q. In periods of depression—your whole picture here is a picture of depression—in periods of depression, assuming there is a minimum wage law for men would not the employer or manufacturer take advantage of that and merely pay a minimum wage for the men employees?—A. I think that is the point. It might be that much to the good, apart from the minimum wage.

*By Mr. Sommerville:*

Q. You mean it would be that much better than present existing conditions?—A. Yes.

Q. At any rate, there would not be the inducement to dispose of women for the purpose of employing men.

Mr. FACTOR: Women should not have to work at all.

Mr. YOUNG: Nor men.

Mr. SOMMERVILLE: Is not that the idea, Mr. Chairman?

The CHAIRMAN: That is right. The place of the woman is in the home, in other words.

*By Mr. Ilsley:*

Q. What other changes would you make in the way of laws?—A. We have a variety of other suggestions in the report.

*By Mr. Sommerville:*

Q. You have first referred to their wages, proposals for control. A more adequate scheme of control must have some definite objectives?—A. Yes.

Q. And what are the objectives you seek to attain through control?—A. We have them listed here as five main objectives. In the first place, fair wages for the workers. Secondly, reasonable hours of work and reasonable conditions; thirdly, restrictions upon the unfair business practises which have been common in industry; fourth, general stabilization of the industry to obtain greater regularity of employment and to obtain the economies and efficiencies of better management; finally, we suggest that the interests of the consumer must be taken into account; that no scheme of control is worth a moment's consideration, the effect of which is merely to exploit the public. Those are the tests of control and the objectives which we endeavour to set up.

*By Mr. Factor:*

Q. Have you examined the code that is prevailing in the needle industry in the United States?—A. Yes.



Q. Did you advocate something like that in Canadian industry—in this particular clothing industry, I mean?—A. At the moment I would say I would answer your question in the negative. By saying that, the inclusion of a law of these specified provisions, it seems to me, is a matter upon which I have made up my mind for further examination of the situation. It seems to me in developing my plan of what I call self government in industry you have to consult those in industry regarding the whole series of more or less technical factors, and our proposals were for setting up a board of control, giving to it certain powers, notably the power of issuing labels to indicate goods manufactured under good conditions, and then making the board of control to some extent the legislative body to make its own rules regarding the conduct of the industry.

*By Mr. Ilsley:*

Q. Would there be one in each province?—A. We suggested a board of control for the industry in Canada which means, mainly, of course, Ontario and Quebec. Now, of course, the legislative factor comes in there, and we suggested a Dominion Act setting up this board with enabling legislation by the two provinces, Ontario and Quebec.

*By Mr. Boulanger:*

Q. By means of this board of control or board of discipline or board of supervision, whatever you may call it, do you suggest that the industry could settle its own trouble and do away with unfair and unethical practices and things of that kind?—A. We think that it could do so to a very large degree at any rate. It certainly could not settle the problem of depression; the problem of depression is over and above the industry. I tried to figure out what could be done, taking depression for granted more or less in this industry, to make conditions distinctly better, at least, than they have been, to eliminate some of the most grievous of the abuses.

*By Mr. Factor:*

Q. The reason I asked you about the code was that I understand there are a lot of manufacturers who are now protesting against that very code that is prevailing in the needle industry?—A. Yes. Quite frankly, we do not think of anything so rigid. Professor Scott and I—I might say that our proposals were worked with the manufacturers and leading people in industry. They were talked of pretty thoroughly then, because as I said some time ago their views are naturally against me in this kind of thing.

*By Mr. Sommierville:*

Q. And these suggestions and this report is offered in the interests of the manufacturers and the unions that you represent?—A. Yes.

*By Mr. Young:*

Q. Is this the situation, that there are more people seeking to make a living in this industry than the present condition of the market will support?—A. Yes. I think that is true, Mr. Young.

Q. That is the situation? Can you conceive of any remedy for that situation other than increasing the demands for their goods?—A. There are partial remedies anyhow, I think.

Q. You might remedy small abuses here and there, but to remedy the whole situation can you conceive of anything short of an increased demand for the goods?—A. I am afraid I have to answer you again the same way. It seems

to me there are partial remedies that are possible within the industry. For example, we can cut out people working 65 or 70 hours in one week. That, it seems to me, can be brought under control. We can cut out the paying of the very low wage rates. That, I think, is conceivable, surely. We can cut out unfair trade practices of one buyer or another.

*By Mr. Sommerville:*

Q. One of those unfair practices that you suggest ought to be remedied is the practice of selling what is called "a loss leader"?—A. Yes.

Q. It is one of the practices that has a tendency to injure the whole industry?—A. Yes.

MR. YOUNG: You spoke about a "loss leader;" will you explain what you mean by that?

MR. SOMMERVILLE: I am just going to bring that out, Mr. Young.

MR. YOUNG: Very well.

*By Mr. Sommerville:*

Q. I see on page 89 of your report that you refer to the device of the "loss leader" as being one of the things that you offer as a suggestion that ought to be done away with?—A. Pardon. We do not offer that specifically in the report. I am inclined to think personally it is one of the things that might be done away with.

Q. "But it was not alone the hard bargaining of the large buyers that the manufacturers resented. They claimed also that certain of the merchandising policies of the larger stores were ruining their trade. For one thing, the device of the 'loss leader' was pointed out. Overcoats made from Montignac, Crombie and Carr cloths, well known for their fine quality, have recently been on sale for such a price as \$25 in Montreal and Toronto stores, when such a price would not cover the cost of the cloth alone. In one case, of which we have definite information, the coats actually cost a manufacturer \$47 each to produce. There would be in these sales only a small number of the fine coats, along with a great number of poorer and cheaper ones, the fine garments being advertised only to attract buyers. Several manufacturers stated that advertising of this type killed their market for fine coats, since dealers were pressed by their customers to provide garments at prices as low as those advertised for the big sales. Well-known brands of clothing were also 'slaughtered' in the same way, we were told, by their use as loss leaders by department stores."

That is what you have in mind as one of the unfair practices of which your Canadian Association of Garment Manufacturers and your Amalgamated Clothing Workers of America object?—A. Yes.

Q. And that is one of the matters that you think should be brought under control, or one of the practices that you think should be brought under control, is it?—A. Yes. I think it is fair to say so, Mr. Sommerville. I do not suggest that that kind of practice should be cut out completely or can be cut out completely. It is something that involves very careful consideration.

Q. Has it been your experience from your observations and enquiries here that that practice affected the manufacturers in the industry?—A. Yes.

Q. That practice, you found, was one that is objected to alike by the rival manufacturers or by the manufacturers generally and by the unions in the shops?—A. Well, I should say the practices are objected to particularly by the manufacturers. The union people in general have not much concern with merchandising methods except as they see in certain merchandising methods factors which help to keep the labour conditions fair.



Q. And is that one of the factors that helps to keep labour conditions fair in these industries?—A. I think it can fairly be said it is one of the factors in the case.

*By the Chairman:*

Q. May I put a question to you now as an economist? It is an hypothetical one, if you like. Any concern, manufacturer or retail distributing concern, that sells a portion of its goods at less than cost for the purpose of attracting business to their establishment must necessarily add an unusually higher spread to some other goods in order to make up that loss; is that so?—A. Yes; if they are going to remain in business, obviously.

Q. Obviously. Therefore—I am asking you whether I am right and whether you agree with me in this—therefore, the sale of goods at less than cost of production must necessarily be contrary to the ordinary laws of economics, sound laws of economics?—A. Well, I am afraid, Mr. Stevens, I have some difficulty on that score. It is thoroughly regrettable that that sort of thing should be necessary. Under a competitive economic system I think there would have to be sales at less than cost on occasion, otherwise old goods will not be cleared off the market.

Q. There is a difference between clearing off old stock, remnants; everybody recognizes that?—A. Yes.

Q. I do not think anybody objects particularly to that. There is a vast difference between clearing off goods that are remnants and deliberately selling goods at less than cost?—A. Yes.

Q. We will have evidence on that later.—A. Might I suggest this in answer to your question to carry a little further: that kind of thing I think can fall within the realm of an extremely unfair competition; because when you go out and undertake a policy of this kind, you do not do it, surely, with the intention of selling permanently at less than cost; you do it as a competitive device, as a means of wrecking the business of some other man, by selling at less than cost. That kind of rate cutting and selling at less than cost happened in the United States, and caused or forced many railways into bankruptcy, and then amalgamation. Part of the rate cutting practice is the wrecking of a competitor and then getting in the position where you can sell at very much more than cost, and by this means compensating yourself.

Q. Of course, you would call that predatory cutting of business?—A. Yes.

Mr. FACTOR: Leader loss.

The CHAIRMAN: Loss leaders and predatory cutting of prices.

*By Mr. Factor:*

Q. Is not a loss leader considered a sort of form of advertising?—A. That is so.

Q. So that those employed in that firm say to the prospective buyer who needs an overcoat, "Here is a marvellous coat at the cut price of \$20."—A. Where this particular firm is selling coats at such and such a price in effect the firm is saying to you in advertising, we are also selling overcoats at a very much less price. Also, it is in effect, I should say, a form of deception of the consumer.

Q. You object to this form of advertising?—A. I do; it is very unfair advertising. I suppose all of us know of loss leaders, somehow or other.

*By Mr. Sommerville:*

Q. What is the ultimate effect upon the consumer of such a policy, followed to its logical conclusion?

Mr. YOUNG: He gets two coats for the price of one.



The WITNESS: He may, initially, Mr. Young; but after some time it may be that the firm which follows proceedings of this kind will get such control of that market that the consumer will get only half a coat for the price of one.

*By Mr. Young:*

Q. You said a moment ago the firm that sells a coat for half price would have to charge double price for something else. Now, is not this true that a coat at half price will draw a customer to this store, and other things at double price will drive the customer away?—A. No, sir, I do not think so, because I think most of us as customers are really very ignorant about coats. We buy; for my own part, I do feel I am a very bad buyer of coats, and I think I can be fooled very easily, and I suggest most of us fall in the same category.

Q. Might you not have profited by a loss leader?—A. Yes. Well, as far as coat advertising is concerned, I know nothing about cloth, as to what is good cloth. They could advertise that kind of cloth to me, and sell me something else, and I would not know the difference.

The CHAIRMAN: That is the trouble.

*By Mr. Boulanger:*

Q. That is for the purpose of launching new articles on the market.—A. Overcoats are not new articles.

The CHAIRMAN: As I said in regard to the price matter theory, we will have very practical evidence on that later on. Is there anything further?

The WITNESS: I have a few more statements to make.

The CHAIRMAN: Proceed, Professor.

The WITNESS: I have just a very little more, Mr. Chairman. I should like in conclusion to make a very few remarks about labour conditions in other industries, and particularly about the observance of the minimum wage laws in these other trades.

I am convinced that in Ontario, grossly inadequate wages for men and women and violations of the labour laws are much more common in many other industries than in men's clothing. Certainly men's clothing is much the least "sweated" of all the needle trades, largely because the union control is so much more effective than in others.

May I mention only a few cases that have been brought to my attention by a graduate student of the University of Toronto, Miss I. M. Lunn, who has been working on the problem under my direction for the last few months. She reports that in the cloak making trade, it has been usual to work overtime continuously. The hours were often from 8 a.m. to 8 p.m. (11 hours) and from 8 a.m. until 3 p.m. on Saturdays. If the firm had a rush of orders they might work till 9 everynight, and until 5 p.m. on Saturdays, a total of 70 hours a week. Twenty finishers interviewed state that not one of them was earning an average of more than \$12 for a 60 hour week during the season. In one shop, where finishers got a rise of 100 per cent after recent strike, they are still getting only \$8 per week.

In the dressmaking trade, she reports, it was necessary in many cases after a strike, to raise the price rates of finishers by 100 per cent, bringing them up to minimum wage board rates. In the case of shirt making, she reports that out of six experienced girls from one shop, who went on strike recently, five claimed to earn less than \$10 for a 54 hour week. The restaurant trade, she reports, has been particularly guilty of low wages and long hours. Thus, in restaurants on Spadina avenue, where a strike occurred recently, kitchen workers and waitresses reported weekly wages of from \$6.25 to \$11 for hours

running up to the unbelievable figures of 90 and 100. I have been given similar evidence of gross violations of the laws in the hat, cap and millinery trade, in the fur industry, in cleaning and dying, in furniture, in boots and shoes, in candy and stationery. It is significant of the conditions prevailing in certain trades in Ontario, that after several recent strikes, firms have agreed to pay their women workers the rates prescribed by the minimum wage board.

*By Mr. Sommerville:*

Q. By formal agreements?—A. By formal agreements.

Q. That was not achieved by the strike?—A. That was not achieved by the strike. May I mention one more incident to suggest the seriousness of the problem. Last week one of my students told me of several instances of gross underpayment of girls in candy factories. I asked her if I might have their names so that I could report the cases to the minimum wage board. "Oh no," she said, "the information was given by the girls in the strictest confidence, and they would be terrified of losing their jobs if they knew I had passed it on so that it would reach the board." Women dare not complain about underpayment when the spectre of unemployment haunts them. While I have no first-hand information for Quebec, I may say that Professor Scott, who did the detailed work on the Quebec section of our investigation, was under the impression that violations of the labour laws of that province were, if anything, even more common in other branches of the needle trades than in men's clothing. In Toronto and Ontario men's clothing, so far as the needle trades go, it is the best branch of the industry. What I have said to-day about low wages, long hours and violation of the law, applies less, I am convinced, to men's clothing than it does to the various other industries.

It is impossible for me to say very definitely, of course, just how extensive are infractions of the Factories Act and minimum wage laws in other industries than the one that we studied carefully. But it is pretty clear, I think, from such evidence as I have mentioned, that the situation is thoroughly bad in a number of trades. I am sure that further detailed investigation, such as we conducted for men's clothing, would reveal beyond question an unsavoury condition of broad extent.

*By Mr. Factor:*

Q. In other industries?—A. Yes.

*By Mr. Sommerville:*

Q. You have presented this report at the request of and in the interest of the Canadian Garment Manufacturers Association and the Amalgamated Clothing Workers' association?—A. Yes.

*By Mr. Young:*

Q. Have you ever tried, Mr. Cassidy, to trace the goods that you found to be made in such shops under unfair conditions, to find out who was reaping the big profit?—A. No, sir, I have never done that.

Q. You do not know whether it is passed on to the ultimate consumer or whether the immediate employer or some intermediary is grabbing off the big profit?

The CHAIRMAN: That is what we are going to try to find out.

The WITNESS: It can be done.

The CHAIRMAN: I think we will find it out. Now, I am sure we are all very grateful to Professor Cassidy for his very complete statement, and for the long time he has given to this matter. If there is nothing else at the present time, we will adjourn until to-morrow morning at eleven o'clock.

Mr. FACTOR: Before we adjourn, I should like to ask if you intend to investigate the other industries, as suggested by Professor Cassidy, so as to ascertain the conditions there.

The CHAIRMAN: Yes.

Mr. FACTOR: For instance, the candy industry, the fur industry, millinery industry, boots, shoes and furniture industries.

The CHAIRMAN: We will have evidence on all those shortly.

Witness discharged and committee adjourned at 5.45 to meet again on Thursday morning, March 1, 1934, at 11 a.m.



HOUSE OF COMMONS, ROOM 368,

March 1, 1934.

The special committee appointed to inquire into price spreads and mass buying met at 11 o'clock, a.m., the Hon. H. H. Stevens presiding.

Mr. Norman Sommerville, K.C., of Toronto, appeared as counsel for the committee.

The CHAIRMAN: The first witness this morning is Mr. Tom Moore, president of the Trades and Labour Congress of Canada.

TOM MOORE, called and sworn.

*By Mr. Sommerville:*

Q. Mr. Moore, you are president of the Trades and Labour Congress of Canada?—A. Yes.

Q. And perhaps you will just very briefly state the nature of that organization?—A. The Trades and Labour Congress of Canada is a national federation of some sixty respective organizations dealing with various occupations and industries. Each of these organizations has its own Canadian office which does its immediate work; therefore, what information comes to us either comes verbally or in conversations and contacts with these people, and not by direct investigation and information that we ourselves may collect. We are the exchange medium of general information. In addition, of course, we have what we call trades and labour councils which are central organizations in the respective cities which have general information that they likewise transmit from time to time, and these are the main sources of our information.

Q. You do not maintain an investigating staff at headquarters?—A. No sir.

Q. These investigating staffs are maintained by the constituent bodies of the Congress?—A. Yes. Just as Mr. Cassidy was representing the Amalgamated Clothing Workers along with the employers of that industry they maintain investigators wherever they need them. We do not find time to do as much of that. We are in too close contact with them to do it in a scientific way. We get it in an unscientific way.

Q. As the resolution deals especially with labour conditions in industry, do you desire to make some representations to the committee in respect of the Congress?—A. I think I would like, Mr. Chairman and Mr. Sommerville, permission to just present a short statement, first, with the explanation that this was drafted immediately after I received the notice last week-end to appear before the committee, and, therefore, maybe changed somewhat by the evidence that has been given, not in context but in wording. Before doing so, I would like the privilege, although it is not a matter of the enquiry, to express the appreciation which our organization have shown throughout the country for the courageous manner in which you, yourself, Mr. Chairman, opened up this entire question by your address on January 15. Correspondence to the office and general comment of our organizations expresses that; and also there is naturally a great interest that this has been followed by the appointment of

this committee so that evidence could be adduced and opportunity afforded as it has been already for evidence to be adduced which, while it has been well known in labour circles during almost the entire existence of labour activities, we feel will do much to arouse public opinion to the serious social consequences of these conditions throughout the country. We recognize, however, that there is more than just the adducing of evidence necessary. If there is to be any real benefit there must be some practical results, and, to a certain extent these may come from legislative action; and, therefore, what statement I have to present to you is being directed more to suggestions and general comment as to where the existing laws or new legislation might be helpful, and not from eliminating or curtailing some of the abuses which have been made so clear by the evidence you have already heard. From the discussions which have already taken place and the evidence adduced, it would not appear that this committee intends to confine its investigations respecting labour conditions merely to those prevailing in industries—supplying the requirements of department and chain store organizations—which is really the technical terms of the reference; but I take it, it rather seeks to ascertain the causes of the unfair practices in trade and commerce which have reflected themselves in the payment of inadequate wages and in unemployment among workers, and I think I can safely add serious loss to other classes of the community, and seek to recommend remedial measures with respect to the same. I think it will be recognized that sweatshop practices resulting from the pressure of mass buying soon extend and has become general throughout the industries affected. In other words, we cannot have reduction of standards to meet merely a mass order without it becoming general throughout the industry in order that other competitors with the larger firms might meet those conditions also. Likewise, where low priced products have been offered then chain stores and department stores attempt to meet this competition by insisting on prices which make similar exploitation almost inevitable. So we have a vicious circle. If the chain stores and department stores use their pressure to get low prices others try to meet that and in return employers or others seek the low prices, you have the power of the chain store used to see that they get a product that they can sell equally as cheap. Where is the responsibility? Wherever it does lie, the fact remains that what is generally referred to as sweatshop conditions are far too prevalent to-day and are not confined to industries or occupations directly doing business with either department or chain store organizations, which evidence has been adduced and can be adduced. I will be glad to co-operate with counsel in that respect, or advise where witnesses could be obtained with regard to sweatshop conditions and similar bad conditions; but personally I would like to suggest that the best evidence will probably be obtained—when I say the best, the most precise evidence—by the committee's investigators, if they appoint them, visiting the factories and workshops and obtaining first-hand information from employers and workers. I suggest this knowing the reluctance of those best able to give evidence to volunteer do so, being fearful of the consequences so far as their own personal interests are involved. That implies discrimination, and it is very prevalent and always has been wherever workers, even indirectly are known to have been involved in matters which come before public authorities and raise unfavourable publicity for their employers. Their occupation is not often very safe or their employment is not safe for a long period.

*By Mr. Heaps:*

Q. Would that apply to all employers in the same industry?—A. I would not say to all employers. There are a number of employers in every industry, and I think I can add a growing number who realize the benefits of co-operating with labour organizations and are assisting them, but they are a minority up to the present time.



Q. It would apply possibly to a number of employers who do not co-operate with the union?—A. It certainly would, and, in some cases to those who are co-operating. They are co-operating under pressure partially where there is an agreement, and it does not mean that it is an agreement that the employers would like to see perpetuated, only it is one which is accepted for the time being because of the pressure of the organization.

*By Mr. Sommerville:*

Q. Would that apply equally to manufacturers who are doing business with large buyers?—A. In some cases, yes, but in many instances, even the best employers, the large firms.

*By Mr. Kennedy (Winnipeg):*

Q. It is an armed neutrality?—A. There is often an armed neutrality during an agreement; as was said here in regard to union agreements in answer to a questionnaire, it is often only a trial and is often not satisfactory either to the employer or worker. It is not necessary for me to assure the committee that I will co-operate when I think of evidence that may be necessary from time to time.

*By Mr. Sommerville:*

Q. Speaking for the organizations of your congress, they are co-operating and will co-operate in gathering the material required?—A. Yes.

*By Mr. Factor:*

Q. How many organizations are represented by the Trades and Labour Congress?—A. We have 60 national and international unions with over 1,500 local unions throughout the dominion and some 30 boards and labour councils in the industrial centres throughout the dominion. There are numerous causes which have led to the present unsatisfactory conditions, some of long standing and others of more recent development. I would appreciate being permitted to make some general observations with respect to the number of these and at the same time respectfully submit proposals which I trust the committee may find worthy of consideration. I do that rather reluctantly because I have heard mentioned in the meetings so far that it is for the committee to decide its own courses and so forth. I do not want my suggestions to be taken as trying to unduly influence; it is only from my experience over a number of years in the labour movement.

The CHAIRMAN: Don't misunderstand any observations of that kind. We welcome any suggestions from responsible heads of any organization.

The WITNESS: With regard to sweatshop conditions, while, of course, the knowledge of this has not, perhaps, been recognized as fully by the public, it has been common knowledge amongst workers for a number of years—as a matter of fact, as early as 1900 an investigation was held, I think, by the now leader of the opposition who was then secretary of labour under the Postmaster General, Mr. Lemieux—I am speaking of the Right Honourable Mr. Mackenzie King—into sweatshop conditions, and as a result of this the House of Commons passed what is generally referred to as the Fair Wages Resolution. The regulations to give effect to the same were drawn and I am quoting that now: That a provision to suppress the sweating system and securing payment to working men and working women of fair wages, and the performance of that work under proper sanitary conditions.

*By Mr. Factor:*

Q. When was that passed?—A. About 1902 I should say—the Labour Department's Report of 1904 where probably one of the first drafts of the regulation that was necessary in contracts for the Post Office Department. The



resolution was headed, "regulations regarding the sweat system." It is some thirty years ago that the government took cognizance of it and started to try and prevent it, and stressed it in regard to their own purchases.

Mr. SOMMERVILLE: We already have that before the committee.

The WITNESS: Yes. I do not want to file it. These regulations were made part of not only government contracts for supplies purchased by the different departments but were also applied to works aided by grants of dominion public funds. In some lines the government itself buys in sufficient quantities to influence working conditions, and could by bringing these fair wage regulations up to date and providing for strict enforcement and for the purchasing of supplies only from such industries as observe these conditions through the entire year—not just for the life of that contract—do much towards the elimination of sweatshop practices.

*By Mr. Ilsley:*

Q. This fair wage clause applies to industries from which the government buys supplies?—A. It does, but there is no compulsion to exert it. The Fair Wage Act, which was passed in 1930, confines itself practically to the construction industry; whereas the origin of the fair wage regulations was to suppress sweat shop practices. If a government follows what I say should be the custom, they do insert the fair wage clause, but that only provides that prevailing conditions shall be accepted; to-day prevailing conditions are so bad in some industries that that does not mean anything except the perpetuation of unfairness; but when I say bring it up to date, our opinion is that if the Fair Wage Act was broadened so as to apply to purchases, and if it was brought up to date as it should, as it is in regard to the construction industries, it would fix a fair and reasonable rate irrespective of prevailing rates. Then the government will have a list, and anyone who is off that list for the violation of the Minimum Wage Act or maintaining sweat conditions, cannot contract for government supplies. It would soon have a much broader effect than the mere purchase of supplies itself, because everybody is ultimately wanting to do business with the government.

*By Mr. Sommerville:*

Q. This fair wage clause was designed for industry in normal times?—A. Suppressing sweat conditions.

Q. And when conditions become bad as they have during the past few years, then you think some change should be made in the fair wage provision?—A. I would put it the other way, designed to deal with sweat shop conditions, and as conditions became better, it went into the discard; when the conditions became rather negligently observed, and then that condition comes back to the full, re-introduce the conditions that were entered into in the first place. I think that would be a better way of putting it.

*By Mr. Factor:*

Q. I would like to develop that; you mean the governments have purchased their supply from the concerns that have sweat shop conditions; is that what you are implying?—A. Without any particular inquiry as to conditions, except where they have the fair wage clause inserted that they shall observe prevailing conditions. You take prevailing conditions in the needle trades; it is well known what the conditions there are, so far as suppression of sweat shop conditions are concerned.

Q. The reason I asked that, I have a recent complaint that the government made purchases of some goods from clothing concerns and there were sweat shop conditions there?—A. Quite right; only they were prevailing in that locality because there were no other firms but those.

*By Mr. Boulanger:*

Q. The government buys by tender?—A. Yes.

*By Mr. Sommerville:*

Q. Are not conditions prevailing over a particular contract investigated, and watched by the inspectors of the government, on a contract?—A. In theory, sir.

Q. Is it not so in practice?—A. Unless complaints are registered by workers.

*By Mr. Kennedy (Winnipeg):*

Q. Where a government calls for tenders—and I refer to any government,—is there always included in the terms and conditions what is referred to as a fair wage schedule or prevailing wage?—A. No, only where a department has recognized the practice and the request of the resolutions. There is no policy and cases have arisen where tenders have been called for without the fair wage clause conditions being inserted.

Q. Is it not the practice where it is inserted in tenders, that provision that the prevailing wage shall be paid by any contractor who receives a tender, from the labour union's end, that they make a check-up? Supposing I am running a factory and I am a successful tenderer for trousers, does the labour union of their representatives check up on that factory which gets the tender to see whether they are living up to the conditions?—A. If it is a union shop or partly organized, yes, if it is one you can get out to; but labour unions have their limitations in regard to the amount of money they can spend in investigations that are not particular returns to them.

Q. Is it your practice to check up?—A. Only where the union men may be co-operating.

*By Mr. Sommerville:*

Q. Mr. Moore, did I understand you to say that there was a fair wage clause or provision covering every contract?—A. Yes.

Q. There is such a provision?—A. There is such a provision, but it is made under two sections.

Q. And there is legislation covering the conditions and the fair wage?—A. It is made under two sections. The Fair Wage Act of 1930 covers what are known as (a) conditions, that is the construction industry; the purchase of supplies is covered by the fair wage resolutions on (b) conditions.

*By Mr. Factor:*

Q. How is it possible for a government to buy its supplies from sweat shops such as I have illustrated?—A. Because they buy from shops that have contracted at the lowest price and claim they are just observing prevailing conditions.

*By Mr. Senn:*

Q. These prevailing conditions are regional, are they not?—A. In many cases.

Q. They are not dominion-wide?—A. There have been different practices involved in it. Sometimes the government will write a dominion-wide contract, say in the case of shipbuilding or something of that kind, but generally in regard to supplies they are regional.

*By Mr. Sommerville:*

Q. And as a matter of fact, Mr. Moore, where the fair wage clause is or where the government contracts have been given, is it not a fact that usually higher wages are paid upon that government work than upon the other work that is prevailing or going through the factory?—A. Not usually.



*By Mr. Ilsley:*

Q. Is this an important factor, these government purchases? I should think the government purchases would be a very small proportion of the total purchases from industries in which sweat shop conditions prevail; and even if the government did refuse to buy the goods produced under these conditions, it would not be a fundamental thing at all.—A. I only say that the influence of that—because firms want to be on the fair list to contract with governments—would be greater than the actual amount of purchases.

*By the Chairman:*

Q. Where there is included in the contract the regular clause, what is known as the fair wage clause, and in addition to that there would be included an undertaking on the part of the contractor that he must observe the provincial minimum wage laws, that, of course, would help, would it not?—A. That would be a help.

Q. That has been added to the contract lately?—A. Yes.

Q. That would help; your point is, as I understand it that, in industries to-day the wage conditions has been so depressed that the fair wage production does not offer adequate protection to the worker.—A. Quite right.

Q. And that parliament ought to take into consideration that fact?—A. Yes. I was not wanting my word to go as a criticism of the present practice. It has been a common one over a number of years. I only want it taken as a constructive suggestion in that connection, whereby there can be something constructive done in the fight against sweat shop conditions.

Q. It does not meet the sweat shop conditions of to-day?—A. No, it does not to-day as they are now.

Mr. HEAPS: May I point out that many of these contracts which are government let, are subsequently sub-let and the great difficulty is with the sub-contractor. I know of one of two instances, in the case of coats and trousers, which have been let by the government, which have been—

The CHAIRMAN: I don't want to shut you off, but we want to get Mr. Moore's evidence.

Mr. HEAPS: What I wanted to point out is the question of sub-letting by the contractors.

The CHAIRMAN: That will come later in argument.

Mr. HEAPS: It is not argument, it is a fact.

The CHAIRMAN: I don't want to shut you off.

*By Mr. Kennedy (Peace River):*

Q. Have you many cases of this coming to your attention?—A. Quite a number over the past seven years. We have about five.

*By Mr. Factor:*

Q. What I understand, Mr. Moore, is that the fair wage clause is inserted in the contracts to-day. In the case of the purchase of caps that I have illustrated, there was no fair wage clause inserted in that contract, was there?—A. There have been omissions from time to time, but not deliberate, I do not think.

The CHAIRMAN: We can get a direct reference to that, and have it brought in.

The WITNESS: We had complaints about caps.

The CHAIRMAN: We must not allow observations to go on the record that such and such was the case. We will have the documents brought here.



*By Mr. Ilsley:*

Q. About these relief expenditures; they are large in volume and they are made by municipalities, or perhaps in some places by provinces with dominion contributions. Is there any check of sweat shop conditions made by the dominion government on these purchases?

The CHAIRMAN: We will submit a question to the—

The WITNESS: Not as far as I know.

The CHAIRMAN: —Department of Labour and the government authorities.

Mr. ILSLEY: I would like the witness's answer. He says not so far as he knows.

The CHAIRMAN: He could not possibly know.

The WITNESS: I only know this, that the agreement for relief between the dominion and the provinces, and between the provinces and the cities, the actual fair wage provision so far as construction work is concerned, but not so far as supplies on relief.

*By Mr. Ilsley:*

Q. That would be the main thing; the purchase of supply would be the main item, would it not?—A. I think so.

Q. Would not that make quite a big difference on these enormous relief expenditures?—A. I was looking up an item I had a record of, Toronto buying some 50,000 pairs of shoes alone.

Q. To which the Dominion contributes?—A. Yes.

Q. Then the Dominion exercises some control over the conditions in regard to this?—A. I will just say there, if the provincial government and municipal authorities could also be induced to follow the dominion policy, the influence would be very potent. I think that follows what you are saying.

Q. In so far as you know, they do not at the present time?—A. Not so far as supplies are concerned.

*By Mr. Sommerville:*

Q. Is it not a fact that municipalities such as Toronto, when making their contract with respect to supplies, insert a particular fair wage clause that prevail in the city of Toronto?—A. I think it is answered by the case that has been recently exposed in Toronto, where the contract for the supply of bread for the relief recipients was given to a firm, because of its price; and then it was exposed that the driver of one of the bread wagons, if not more, was receiving \$5 per week and commission over \$50, but he had no commission because he was merely delivering relief orders, and had to depend on city relief for assistance to the wage, showing that there is certainly no provision in that particular contract.

Q. When that was brought to their attention, was not that immediately remedied?—A. Yes; the man was raised to \$8 a week with commission over \$80.

*By Mr. Factor:*

Q. Is there a distinction between a fair wage and the prevailing wage, Mr. Moore?—A. Yes, a very great distinction. In the Fair Wage Act, the Minister of Labour is empowered to fix a fair wage. It does not matter—20 cents an hour may be the prevailing wage, with labour conditions; Eatons say a fair wage is 30 cents, and have done that.

Q. In these contracts, the term used is fair wage or prevailing wage in the locality?—A. No, I think you will find it is prevailing; that is one difficulty. If it was: "Must be paid a fixed fair and reasonable wage—

Q. In other words, the minister's power was not exercised, as the term prevailing wage was inserted?—A. I don't think I have made it clear. There are two kinds of fair wage contracts. One is under the Fair Wage Act which applies to the construction and building industry, and the other one which is founded on the old regulations of 1902, the resolution of 1902. In the Act itself it does provide that the minister has power to fix a fair and reasonable wage; in the other one, the custom is the prevailing wage.

Q. Therefore the prevailing wage may not be a fair wage?—A. May not be a fair wage.

*By Mr. Kennedy (Winnipeg):*

Q. Is this not the distinction, that it provides for a fair wage where there is a fair wage law applicable; where there is no such law then the prevailing wage shall apply; is not that the provision?—A. You say applicable; I know there has been controversy there in regard to the difficulty. A contractor gives a price say for a product that is only going to be one-twentieth of his output. He says: Unless you allow me to execute that at the prevailing rate which is common in other industries—I can't put part of my factory on a different rate that you may establish. So while you may not consider it fair, it has been accepted as the best and easiest method of doing business. Our suggestion is that the British system be followed of taking industries that are living up to the fair standard and putting them on the list only, and until people come up to that, missing them off the contracting list. Then you would not meet this condition and would have fair wages as the prevailing wages.

Q. Apart altogether from the law or the provisions of the law as to fair wages, is not the matter of the check-up and the enforcement by far the most important part?—A. Yes, and that should be done more fully than it is by the Labour department; they have a limited number of inspectors who to-day confine themselves very largely to investigating plants, and not to initiating investigations.

*By Mr. Factor:*

Q. Fundamentally, Mr. Moore, there is a great distinction in government contracts.—A. Speaking of governments generally; if they would exercise their right as they have the power to do, to provide for a fair wage in a contract, it would remedy the situation, but they don't do that; they merely provide for the prevailing wage in the locality.

Q. It may be sweat shop condition?—A. Absolutely, and competitive prices don't make it any better.

*By Mr. Edwards:*

Q. Is not the prevailing wage, Mr. Moore, more for public works and works under contract; the prevailing wage of a municipality may be 30 cents, 35 cents or 40 cents an hour, and that is the rate that should be paid on that particular job. Now, when you talk about factory conditions, I think we are getting a little bit at cross purposes, talking of different activities. All these goods that are purchased by the department, say the caps you spoke of, may involve what are known as sweat shop conditions, but you could not handle that with prevailing wages.—A. You could, by following the recommendations of the House of Commons Resolution, after the enquiry of 1900.

Q. You mean, by giving the business to firms that acquiesce in those provisions?—A. That would be all right, if the government would pay a rate consistent with good prevailing conditions.



*By Mr. Sommerville:*

Q. In other words, you suggest the fixing of a charge by the government on all their purchases?—A. That would avoid any prejudice.

Q. That might become a subject of controversy for a long time.—A. Yes.

Q. It might present a great many difficulties.—A. Yes.

*By Mr. Factor:*

Q. The government might stop, for example, the awarding of contracts by providing for the prevailing rate only, where it is known that sweat shop conditions exist.—A. All governments might do that.

*By Mr. Sommerville:*

Q. I suppose that has been a matter of controversy ever since 1900, when the report was made.—A. Before that, sir, when the investigation took place.

Now, the basis of collective bargaining is the trade union, where they have secured recognition from employers they have by methods of collective bargaining done much toward improving the conditions of employment, both in respect to wages paid, hours worked, and the protection of help, and to establish the maintenance of sanitary conditions in industry. Such action, however, has not been sufficient to protect industries and workers against unfair practices, as frequently, your employer and organized workers have to face losses in order to meet competition from the less scrupulous employer. I think that was elaborated yesterday by Mr. Cassidy to some extent.

Q. What do you mean by that.—A. You may have an employer entering into an agreement with a union, like in the clothing industry where 85 per cent of them are organized, that agreement itself might not eliminate sweat shop conditions, because the fair employer could only get business a little in advance of the most unscrupulous competitor. Therefore, the fact of the union agreement existing does not mean that the clothes made are under a fair basis; it only means that in the face of conditions, the fair employer and the organized worker must agree to meet them if they are going to stay open and do any business.

Q. Yes, and these conditions may prevail in the very best plants.—A. Sweat shop conditions may prevail in the best of plants if your wages paid are constantly menaced by that competition.

Q. So that when one is referring to wages and shop conditions, one refers to wages only rather than to physical condition.—A. That comes in very often, sir; but I might mention there, because it just came to my mind, that yesterday reference was made to the home working conditions in Montreal and in Toronto, and Mr. Cassidy said he thought they were perhaps largely prejudicial to health. We had a case of this kind a number of years ago as a result of which the Health Department took the power to stop home work on clothing because of the conditions they found existing there.

Q. Those conditions were unsanitary?—A. Clothes taken out were used as bedding, and children often with soils were put on these clothes, and they would be covered up with clothing that had been taken there to work on and therefore from the sanitary end, we were able to get that eliminated. I do not think it has spread back very much in Toronto yet, because of that condition.

Q. That was remedied thirty odd years ago?—A. In Toronto, but we have not removed it yet in some other cities.

Q. In Ontario, or in Quebec.—A. In Quebec, sir.

Q. Mr. Moore, you were saying that this competitive system, that resulted in the reduction of wages, were the result of the manufacturers being obliged to meet competition and being obliged to pay wages less than adequate for the maintenance of their men.—A. Absolutely.



Continuing this statement: to assist in the development of codes and fair practices in industry, which we think should be allowed to be developed, particularly in respect to labour conditions; the government, perhaps, through its department of labour should encourage collective bargaining as has been done through the National Recovery Act in the United States. Section 7a of the National Recovery Act very definitely sets down the basis of collective bargaining, frankly recognizing trade unions as the medium through which that should be done, to give effect to such a policy; that is, workers should be assured the right to form or join trade unions of their own choice, without restriction, of their right to refuse to work with non-union members of their respective trade, these unions to be free from employers control, which is not the case where company unions are formed; and (b) the right of combination be allowed to employers wherever control to prevent exploitation of consumers can be made effective.

*By Mr. Edwards:*

Q. In other words, a code of some sort, Mr. Moore?—A. A code suitable for Canadian conditions.

Q. A code for industry?—A. Yes, Sir; but checked by government supervision to protect the consumer, because we agree that the worker is himself a consumer as well as a producer.

*By Mr. Sommerville:*

Q. Will you just develop that for the Committee, Mr. Moore, the check by the government so as to protect the consumer. Just what have you in mind there?—A. Well, it is no use to the worker getting his wages raised, if as a consumer, he is going to have that taken away, and leave him poorer than he was before. We recognize that he has a dual capacity, as both producer and consumer. Therefore, where codes, may short-sightedly, be developed between employers and employees, in collusion—if such a thing could happen, and it is not outside the realm of practical possibilities—that might lead to a development from the consumers' standpoint, which perhaps ultimately would operate to the disadvantage of the industry; and so, to protect that, there should be some supervision of these codes, some sort of check made, to see that they are not to the detriment of the consumer. In every record I have in regard to the Combines Act, my impression is that it is too inflexible, and allows no exemption for combinations or associations between the firms which may be for their own protection, it is very inflexible so far as associations of employers are concerned. All combinations need not necessarily be evil, competition can be very helpful many times, probably quite as often as it is evil.

*By Mr. Ilsley:*

Q. You would have parts of the Combines Investigation Act repealed.—A. No, I think there could be exceptions made in it, the same as for trade unions; there could be exceptions so that industries could develop codes of fair practice, which have the sanction of the minister, or of the Lieutenant-Governor.

*By Mr. Factor:*

Q. You mean, employers could form associations and draw up certain codes?—A. Yes.

*By the Chairman:*

Q. In other words, is this your idea, Mr. Moore; that it does not follow because a group of employers gets together and formulate—using your own term—a code of practices within the industry, that that is detrimental to the public interest?—A. Not necessarily so, sir, not as detrimental as some of the competition we have found, which is very detrimental in some cases.

*By Mr. Ilsley:*

Q. From the labour viewpoint and particularly from the viewpoint of the consumer, it would inevitably raise prices?—A. It would be apt to do that in a lot of instances; but take milk delivery, for instance, when you have 10 or 12 milk wagons going down one street, it is not very profitable to any of the companies concerned when that service could be just as well rendered by one or two; that would give a far more efficient service, and it should be, at less cost.

*By the Chairman:*

Q. I was going to ask you this, Mr. Moore, asking you to make a transition of yourself back to your knowledge of the rates of labour—

The WITNESS: I am always like Jekyll and Hyde in that direction.

The CHAIRMAN: Yes. In your opinion, would the average consumer be quite satisfied if he knew he was getting an article that was produced under fair conditions and sold on a reasonable margin of profit, provided he knew that other people were buying the article more or less at a lower price?—A. Our experience does not show that, Mr. Chairman.

Q. You don't think the consumer would give a preference to an article of that kind?—A. I will go back a few years and recall the experience of the lady-garment-workers' industry, they devised a label, which I think they called "Sanitaire". It was devised by the employees and workers in the industry generally, as a means to indicate that fair conditions prevailed. That scheme did not last very long, because the consumer was not very much interested in seeing that the "Sanitaire" label was on the garment, to give him that guarantee. The same thing has applied in the union. We have spent millions advertising and making known the significance of the trade union label, but even yet, the consumer does not seem to know much about it, or its significance. There lies the remedy, and, of course, you all know of the course followed by the codes with their blue eagle.

*By Mr. Sommerville:*

Q. You think it is really significant that there should be a compulsory label of some kind?—A. No, I think it can be developed through these codes; but there might be a label there.

Q. How would you enforce your code, you would still have men who would present the same problem, by doing something else and bedevilling the industry.—A. Well, I do not know that I am prepared to go so far into the details of that, I would prefer to leave it in a general way.

Q. Perhaps I have stressed it too far.—A. It is a matter that will have to be developed because I do not think any one man's opinion, or the opinion of any one side on that, would be worth anything more than its service as a basis for discussion.

*By Mr. Ilsley:*

Q. It might be considered a blue eagle for Canada.—A. Well, we would like to see the union label which would signify right away that there would be fair competition.

*By Mr. Heaps:*

Q. A moment ago in your reference you made a suggestion with respect to collective bargaining, do you not find that at the present time it is rather difficult to organize employees, particularly in some industries?—A. I would say that the textile industry has been difficult to organize, particularly in the Province of Quebec. A great many other industries have not been organized at all, far from it. The boot and shoe industry, also, is a difficult one, and, of course, the pulp and paper industry is a constant fight.



Q. How about the automobile industry?—A. The automobile industry—well there has not been a tendency on the part of the men to have organization, perhaps because of the seasonal character of it; they would be employed for two or three months, and then they would be out of work altogether, and then when they get in season again they go back on and they are working full time.

Q. On the same point, Mr. Moore, have you found any opposition on the part of the employers in this industry toward allowing the employees to organize.—A. Oh, there is constantly pressure against organization; and we have many similar situations, when we have attempted organization in the steel industry.

*By Mr. Sommerville:*

Q. I suppose that is a common experience in that industry?—A. Yes.

Q. How do you explain that.—A. We have no machinery at the present time to force employers to recognize the union. There was a suggestion in 1919 of an order in council being issued by the government declaring that policy. I think the late Senator Robertson, who at the time was Minister of Labour, was dealing with that. There was some discussion about enacting legislation; but this old idea—I can't say your Latin "quid pro quo"—came in, that if you gave the employees the legal right to organize, you must also give the employer the legal right to employ any one who did not belong to an organization and that would close shut our principles of collective bargaining. Therefore I say that that right should be given to the worker in order that he could apply equal force and still maintain the right to work with non union members of his association, where now it is a deterrent; because he can only follow out his part of the agreement by having control of the discipline of the industry.

*By Mr. Young:*

Q. The right to refuse to work with a non member of the firm?—A. Yes.

Q. Does anybody deny him that right now?—A. In law, no, but I say where the law was proposed to give him the right to join an organization, it was insisted then we could not enforce it.

*By the Chairman:*

Q. In a closed shop that obtains to-day.—A. Yes.

Q. By agreement?—A. Quite right. I am speaking of—

Q. That is what Mr. Young is asking.

*By Mr. Young:*

Q. I do not get this. As I understand you, Mr. Moore, you say a man should have the right to join any organization he likes, and then have the right to refuse to work with somebody that belongs to another organization. Now, I understand there are two labour organizations in Canada?—A. Yes.

Q. Do you mean by that, that if a man joins one organization, the fellow who belongs to the other should have the right to walk out of the shop?—A. Yes, I mean this: an organization that has an agreement with the employer should be placed in the position to carry out the necessary discipline on any of those who belong to your organization or a part of the same organization.

*By Mr. Sommerville:*

Q. Another organization?—A. Another organization.

*By Mr. Young:*

Q. What you mean is not the right to refuse to work beside the other fellow, but to make the other fellow quit work?—A. To refuse to work alongside of him.



Q. You mean the right to throw him out, and not go out yourself?—A. Why not?

Q. Is that what you mean?—A. They do refuse to work alongside, also. We do not want to lose our jobs, no question about that. For instance, Mr. Chairman, may I develop this feature, the union label. It is stamped in the shoe and it signifies that the workers employed in the factory are all enjoying certain conditions arranged mutually with the employee and employer. The stamp carries with it an agreement, in the case of arbitration, machinery if any dispute arises in that particular industry. In the particular industry where that stamp is put on, it indicates that they are members of the association that owns that stamp. How can you enforce the guarantee that those conditions do prevail? You must have the right, when the employer says I am going to bring somebody in that does not belong to the association, to say "No, we cannot continue this agreement with somebody coming in that we have no power over, no discipline. If that were permitted, sufficient members would come in to make us ineffective. We must have the right of a closed shop to work with non-members of the association.

*By the Chairman:*

Q. These non-members may out-number the union members?—A. Yes, easily.

Q. Will you proceed, then?—A. The Industrial Disputes Investigation Act. This is another federal measure which can be effectively used against the maintenance of sweat shop conditions and for the exposure of such practices whether caused by mass buying or otherwise, as lead to payment of low wages and the imposition of poor working conditions. If the application of this act was extended to cover all tariff protected and subsidized industries and such other industries or commercial or financial institutions as might be considered advisable, from time to time, it would be possible for employees to obtain public inquiry into the reasons for such unfair wages and hours of labour that might prevail.

Experience has shown that while awards made by local boards established under this act are not compulsory of acceptance by either employers or employees, yet the development of public opinion resulting from these hearings has been a valuable aid in bringing about fairer conditions; further, the knowledge that such a medium of inquiry was available would act as a deterrent to the development of "sweat shop conditions."

*By Mr. Ilsley:*

Q. What does it cover now?—A. It covers public utilities of a special definite character, railways, canals. You come to the textile industry, and you find the workers sometimes from fear and imagination, perhaps sometimes from actual existence of discrimination against organization, do not organize. There is nothing by which the conditions of workers may be made public except, perhaps, an occasional inquiry of this kind.

*By Mr. Sommerville:*

Q. You would extend that to the whole range of industry in general?—A. I think that would include monopolies and semi-monopolies such as department stores are getting to be, because of their enormous pressure over workers.

Q. What do you mean by that?—A. Our Industrial Disputes Act could apply for a board, and this board that is set up could consist of one representative from the employers, one independent who could expose the actual conditions prevailing.

Q. Was not that found ultra vires of the Dominion?—A. Yes; and then the provinces enacted enabling legislation restoring power back to the Dominion. Legislation could be framed along that line. As a matter of fact, under the amendment framed in 1930 between the provinces and the dominion for the uniformity of labour laws, this matter was discussed, but it was expressed confidentially at that time a fear that anything done to the act might raise the question of its validity under the B.N.A. act, which subsequently developed to be the case, and therefore nothing was officially recommended.

*By Mr. Ilsley:*

Q. The fear of constitutional difficulties?—A. At that time, but that has been removed by order of the privy council and the enabling legislation passed by the provinces.

*By Mr. Sommerville:*

Q. To the extent of the act as framed.—A. I am not sure whether that enabling legislation does not also include any amendments that may be made thereto. I am speaking subject to correction there, but I think it does.

*By Mr. Factor:*

Q. Suppose you amend the act as suggested, and a public inquiry was held. How would you follow up the work of that inquiry?—A. We find by experience that the public interest aroused has been sufficient to bring the establishment of better conditions, not always satisfactory, but better conditions; and we feel that this would be a permanent means of constantly exposing those conditions as they would develop, and enabling workers, through the assistance of public opinion, to resist the driving down which has taken place at the present time.

*By Mr. Kennedy (Peace River):*

Q. Publicity alone?—A. Publicity alone. Nobody would want to continue to do business in that way, if they were sufficiently stigmatized.

*By Mr. Factor:*

Q. Could not a highly protected industry that is guilty of certain abuses in the matter of employment, be forced to change its method by use of the instrument of tariff?—A. Yes, not universally. It may be only part of the industry, and you would penalize the rest of the industry, and the workers.

*By Mr. Sommerville:*

Q. That would be penalizing the worker?—A. Who is not guilty of the offence. One part of it may be guilty, one small part.

Q. You would, by the process you indicate above, by the exposure to public opinion, affect only a very small proportion of the industry.—A. Quite right.

Q. You would still have firms indulging in bad practices. They would continue to do that.—A. In some instances, but I think many would be driven to establish better conditions; for fear of publicity is always a deterrent to people doing business with the public.

Q. At any rate, one of your constructive suggestions is the extension and development of the Industrial Disputes Act to all industry?—A. Yes. In the minimum wage acts process while minimum wage laws enacted through provincial legislation have not been as effective as organized labour desired, nevertheless the activities of the boards entrusted with their administration, have acted as a powerful aid in preventing the complete collapse of wage standards



in some industries. Their failure to prevent sweat shop conditions can be attributed primarily to the shortcomings of the legislation under which these boards operate and among the weaknesses which have developed are the following—these are, by no means, all inclusive.

1. With the exception of the provinces of Alberta and Manitoba, the provisions of these acts only apply to female labour which has left the door open to evasion by the substitution of male youths and in latter years, of adult males. The adoption of the provisions of the Alberta Act would remedy this. I think a question was asked of Mr. Cassidy yesterday in that regard as to whether or not the minimum wage did mean that. It is in practice, but not in theory, and in real intent is to protect women, and the minimum wage law does act as a deterrent. I have no cases to submit definitely, but I do know that store clerks have been employed at less than the minimum wage for women. I have a letter here that I have not authenticated, so I would not like to use the name of the firm, but it is in respect to Ottawa here, where the papers yesterday said everything was hunky-dory. It is the reverse. The firm concerned in this letter were up in police court a few weeks ago for evading the fair wages law for girls, and they fired the girls and put men in their places for less wages. This store is—

Q. In Ottawa?—A. It is in Ottawa.

*By Mr. Ilsley:*

Q. You ought to have an Ottawa witness.—A. I think, sir, the cases are more prevalent in Ottawa, and I think there are more abuses. I remember Mr. Fester admitting some weeks ago that the stores were worse in the city of Ottawa than in any other city.

Q. That is Mr. Fester's statement?—A. Yes. That is a fact. I have had a number of complaints that we have had to transmit to the board.

*By the Chairman:*

Q. Do you know of persons on relief in Ottawa who are receiving somewhat less than the minimum wage, or who cannot live on their wage?—A. There are people being assisted by the Welfare Bureau who are working full time.

*By Mr. Factor:*

Q. Did the Ottawa relief officer state he had any such cases?—A. He said he had not found any, didn't he?

The CHAIRMAN: That is quite a different situation.

The WITNESS: There are some that ultimately will be on relief, if they are not. For instance, here is a case of a man that I know, a barber that received no wages, in Ottawa; they receive 60 cents of every dollar taken in. If the shop happens to be one with the number of chairs that go to take care of good business, they might earn about \$17 a week at the present time. If it is one where there is not much business, and price cutting taking place, they earn less than around \$7 per week full time.

Q. Is he not on relief?—A. I don't know; if he is not on he soon will be, I imagine. Then, another case. Take bakers' drivers. I have taken a group and it goes to show that their standard is \$7 guaranteed, and commission. Under the present conditions, I think you would see that there is quite a low wage condition prevailing. There are a number of cases I could mention in Ottawa.

*By Mr. Ilsley:*

Q. That is due to the competition between barber shops?—A. Absolutely, sir. Restaurants. I think I can get evidence, perhaps of this thing. It is not unknown to-day for a certain type of store to bring girls in perhaps for the afternoon only at \$3 per week.



*By Mr. Sommerville:*

Q. What type of store?—A. I do not want to mention it, because I have not investigated it; it is general, sir.

Mr. ILSLEY: A violation of the Minimum Wage act.

Mr. SOMMERVILLE: Not a violation.

Mr. FACTOR: It is not a violation of the act as framed now.

The WITNESS: No, because a general store to-day hires a man on Saturday for each store, and those stores work from 7 in the morning until 8 at night with an hour for lunch, and the man gets \$2 for the day, for a day's actual labour; \$2 for a twelve hour day.

*By Mr. Young:*

Q. What could you do to prevent that store from hiring an extra man for Saturday; would you make them take the man for a whole week?—A. No, but they might pay him a day's wage.

*By the Chairman:*

Q. Your point is for 12 hours or more \$2 is too small a wage.—A. It is sir, because if he works 6 days a week, 72 hours, he would only get \$12. You could not get much out of that. My second point is under the minimum wage act the lack of power to definitely restrict the number of hours to be worked has created opportunity for evasion and entirely failed to protect those working short time and full time. I think that was developed by the other witnesses, sir.

3. Too large a portion of exemptions on the payment of minimum wages set is allowed for both (a) learners and apprentices; (b) piece workers who failed to earn the average wages when fully employed. In addition to the exemptions on piece work which were referred to by Mr. Francq as being 80 per cent, and the average 20 per cent were exempt in addition to that, of course, there is the partial exemption for apprentices, and it is there where perhaps most of the evasions take place.

Q. In what way does that evasion take place?—A. By hiring girls who are experienced and who are willing to get the job to swear that they never had any experience, and in some cases moving even from one department to another in the same store and putting them on the payroll as fresh employees.

*By Mr. Factor:*

Q. I asked Mr. Stapells precisely the same question, and he said there were no such abuses under his jurisdiction?—A. You have always got to remember he was only speaking from his records on what they dealt with. I think investigators going into some stores will find that it is not so.

The CHAIRMAN: You are satisfied it does not prevail?

The WITNESS: Absolutely.

*By Mr. Young:*

Q. Can you give specific instances?—A. No. I would like to say that in the beginning I want to be very careful of being authentic. I do not want to make any statement that cannot be verified, and it might need some digging back.

Q. If you are sure it occurs you must know of a case where it did occur?—A. As I told you the thing goes around in conversations with our representatives who could tell of this may be casually, but I do not keep the records.

Q. Can your sixty organizations produce information for the use of the committee to-day?—A. Absolutely.

Q. Have you records or have you not?—A. As I said, I will be glad to guide counsel where the investigator of the committee could go and find these things, and I know he would find them, or I would not make that statement.

*By Mr. Factor:*

Q. What is an apprentice in the legal term of the Minimum Wage law?—  
A. There again we have the custom milliner order. I do not know which order is in Ontario. It exempts apprentices from any provision of wages, and at our last convention in Windsor representatives from Kitchener brought a case of a custom milliner, where this firm had hired girls as apprentices and when they came in for the qualifying period they paid them no wages at all and they were discharged and new girls were brought in because of this provision. Therefore, the hired help was not receiving wages at all.

Q. Do you know of an actual case of that kind?—A. That can be produced from Kitchener.

*By Mr. Young:*

Q. A girl went in as an apprentice and received nothing, and when she was qualified to earn wages she was fired?—A. Yes.

*By Mr. Factor:*

Q. How long did she work?—A. Three or four months.

*By the Chairman:*

Q. You were speaking about the evasion of the Minimum Wage law?—  
A. Yes.

Q. Mr. Robkin who, I think, is the representative of one of the unions—the Amalgamated Clothing Workers' Union of America—A. That is the Montreal one, is it not?

Q. Toronto.—A. Toronto.

Q. He would be known to you?—A. Yes, sir.

Q. He refers to this subject, and I would just like to get your reaction to his view. He said, "it happened that on November 3, 1933, the Toronto Joint Board of the Amalgamated Clothing Workers of America called a strike against a firm in Toronto..." It was mentioned yesterday so I can give the name, the Ontario Boy's Wear—"...for the purpose of enforcing the Minimum Wage law and to abolish the sweatshop conditions that have prevailed in that shop. We immediately submitted to the Minimum Wage board a number of affidavits sworn out by female workers in the employ of the Ontario Boy's Wear to the effect that they never received the minimum wage." Now, the point is this, that the argument is that these evasions are quite common and that there is inadequacy of inspection or enforcement of the Act?—A. Yes sir.

Q. Now, you have very wide experience, and I think we have pretty general confidence in your views. Would you give your view on that point?—A. Yes. My very next statement was "inadequate inspection staffs and fear that too strenuous enforcement of the law would cause industries to move to other provinces." That is often used as a threat—"if you make it too difficult for us to operate here, it is less efficiently operated in some other province and therefore we will move there."

*By Mr. Ilsley:*

Q. Is it a real danger?—A. It is sufficient to prevent too strenuous enforcement.

*By Mr. Edwards:*

Q. Some industries have actually moved?—A. Yes, some have moved. In regard to inspection staffs some mention was made yesterday of the factory inspectors of the Ontario Minimum Wage board. I do not want to appear to contradict Mr. Stapells, the chairman of the board, but from the evidence given by people working in the factories the factory inspector, if he does do anything

at all, it is mighty casual; and based on that they have been asked for inspectors to be appointed by the board itself. There practically is very inadequate inspection in Ontario.

*By Mr. Ilsley:*

Q. Are there not enough inspectors?—A. Not enough. They have seven in Quebec.

*By Mr. Factor:*

Q. It is a pretty sad state of affairs if it requires a strike to enforce the Minimum Wage Act?—A. Yes, sir; but that is common.

*By the Chairman:*

Q. May I finish this point? Perhaps you could verify this: "To all our frequent enquiries the reply was that the board had investigated the books of the company and did not find the violations complained of by us. We kept on persisting and pointed out that the affidavits speak for themselves, and that the testimony in the court of justice would substantiate our charge that the firm was falsifying its books." Now, are you acquainted with those facts?—A. I am not personally, sir, but I think the information given you there, as I stated, would be accurate. It is not unknown.

Q. And that resulted in a strike?—A. It is not unknown in falsification for two sets of books to be kept.

Q. It resulted in a strike?—A. Yes.

Q. And as the result of the strike the case was brought to court and adjustments were made?—A. Yes.

Q. The repayment or payments of back wages were secured?—A. Yes, sir. That is common.

*By Mr. Factor:*

Q. Mr. Stapells said yesterday there were twelve inspectors in the province of Ontario?—A. Eighteen factory inspectors.

Q. You say that is an insufficient number?—A. I say the factory inspectors have not the time, and some of those, especially boiler inspectors are not conversant with the Minimum Wage law.

*By the Chairman:*

Q. It is not their business, of course; it is not their duty?—A. By law it says "there shall"; it is not a specific duty, and it is very casual.

*By Mr. Sommerville:*

Q. Section 18 of the Factories, Shops and Other Buildings Act says that it shall be the duty of every inspector appointed under this Act to report any violation of section 20 of the Minimum Wage act?—A. Yes.

Q. That is their obligation?—A. Yes.

Q. Section 20 of the Minimum Wage act requires the posting up of a notice?—A. Yes.

Q. By the employer as to the provisions of the Act?—A. That is the chief thing that the factory inspectors do. So far as the actual investigation of wages and hours—

The CHAIRMAN: He cannot do that?

The WITNESS: He cannot. He has too much to do already.



*By Mr. Sommerville:*

Q. If all the notices of the board are posted up and kept posted up, then the knowledge in the possession of the girls ought to be, should it not, the greatest factor in the enforcement of the Act?—A. They do not dare to say anything until they get fired or quit.

Q. You think that is effective?—A. Absolutely.

*By Mr. Factor:*

Q. The difficulty is, Mr. Moore, that the Act only provides a penalty of \$10 to \$20 for the breach of any of these provisions?—A. That is the next thing we come to.

*By Mr. Heaps:*

Q. Do you know how many inspectors are enforcing the Minimum Wage law in the province of Ontario?—A. Two members of the board.

Q. Who are they?—A. Miss Stephen and Mr. Fester. Miss Stephen has only been doing that during the last three or four months when the pressure became strong for inspectors. Then there was an inspector appointed in the person of Mr. E. W. A. Odell of Hamilton who has had long experience in factory work and factory investigations but unfortunately he is sick and therefore he is not operating at the present time. I think there is one other recently to which Mr. Stapells referred.

*By Mr. Factor:*

Q. He said four negotiators, he called them that?—A. There has been one for three or four months, two since then, and three during the last couple of months.

*By Mr. Heaps:*

Q. Until a few months ago there was one inspector for the whole of the province of Ontario?—A. Practically so. He worked very efficiently but could not possibly do it.

Mr. FACTOR: For 7,500 employees.

*By Mr. Heaps:*

Q. I think it would be almost impossible for one man to even casually observe an infraction of the Act?—A. Yes. I think whatever cases he handled he was very efficient. It was impossible to get around to sufficient numbers. That probably accounted for the strike there.

*By Mr. Sommerville:*

Q. Do you believe that to properly enforce the Act it would require a large staff of inspectors?—A. It does, sir. They have seven in Quebec, and as Mr. Franq said, they have not extended the number of orders until they have the personnel to follow them up.

Q. The seven in Quebec cover 30,000 employees but in Ontario they cover 77,000?—A. Yes.

Q. There was a difference in the policy, if you remember, in Quebec and Ontario; Quebec initiated inspections?—A. Yes, sir.

Q. And insisted upon it in all firms employing 100 or less?—A. Yes.

Q. While in Ontario they relied upon the reports of the firms and initiated inspections where they suspected something or had a complaint, or found something wrong?—A. Yes. I know from practice that they went a little further sometimes; that Mr. Fester would go from one end of the city to another, in

restaurants and stores when he had time to do it, but generally that is the practice. Our information is that the inspection should be continuous and initiative.

*By Mr. Ilsley:*

Q. As in Quebec?—A. Yes, as in Quebec; even more so.

Q. That is in the larger stores?—A. Yes. They had a much worse back-ground to start from.

*By Mr. Kennedy (Peace River):*

Q. I think in your opening remarks you said something about the abuses of sweatshop conditions that you had noticed for over thirty years. Do the sweatshop conditions tend to disappear in ordinary good times?—A. During the past so-called good times—that is the interval between the acute depression of 1923 and the present depression—they did not disappear because other factors have entered into it that have kept competition at a high pitch. Therefore, they have not disappeared.

*By Mr. Sommerville:*

Q. What are those factors?—A. In some cases, more up-to-date machine equipment has driven prices down, but I think in general we could say it has been mass buying.

*By Mr. Factor:*

Q. Do you know of any case where employers signed an agreement with their employees to accept wages less than those provided in the Minimum Wage Act?—A. I have had it told to me where the employees have been called in and told that they had an opportunity to get an order to keep them busy at the time if they can meet prices, and to do that they would have to accept less wages, and they have taken the alternative of less wages. I would not like to file the case, but I can give information as to where you can find it.

*By Mr. Sommerville:*

Q. And that is not confined to one industry?—A. Not by any means. It is doubtful to say whether it is the desire of the employer to get that order or whether it is the pressure of the buyer and he must meet that. Undoubtedly he knows if he is going to get that order he has got to meet that price.

*By Mr. Sommerville:*

Q. What are those factors?—A. In some cases more up-to-date machine equipment has driven prices down, but I think in general we should say it has been mass buying.

Q. Mass buying?—A. Yes.

*By Mr. Factor:*

Q. Do you know of any cases where employers signed agreements with their employees to accept wages less than provided by the Minimum Wage Act?—A. I have had it told to me where the employees have been called in and told they had an opportunity to get an order that would keep them busy for the time being if they cut the price, and to do that they would have to accept less wages; and they have taken the alternative, the less wages. I would not like to mention cases, but I can give you information where you can follow that up.

*By Mr. Sommerville:*

Q. And that is not confined to one industry alone?—A. No, not by any means. Of course it is doubtful to say whether it is the desire of the employer to get that order or whether it is pressure of the buyer who sets the price he must meet. Undoubtedly he knows if he is going to get the order he has to meet that price.

Inadequate penalties: money fines have not been sufficient to prevent repetition of offences and a prison sentence for persistent offenders would undoubtedly bring better respect for the enforcement of the minimum wage laws. Money does not mean much to some corporations.

*By Mr. Factor:*

Q. Like the licence fee?—A. Yes, it is like the licence fee, and the speak-easy, take it out of the next customer. Whenever they get fined, they only take it out of the workers during the next period between fines. Some of them do not mind that.

*By Mr. Sommerville:*

Q. Supposing you had a form of licence, and the licence was in danger of being cancelled for breaches of the Minimum Wage Act, would not that be a most effective weapon?—A. It would help materially, but I would still say that the persistent offender ought to go to jail; because after all, he is robbing the commercial girl of more than merely money. It leads much further afield than that in the case of female help, and a man that has turned to that deliberately, by refusing to remunerate her, when she has worked, for her labour, is condoning or assisting in breaking down morality.

*By Mr. Kennedy (Winnipeg):*

Q. If the law were enforced, there would be a lot of work in the construction of jails?—A. There is, as a matter of fact need for that now.

*By Mr. Kennedy (Peace River):*

Q. You said some little while ago something about publicity, fining a firm upon two or three occasions would provide quite a lot of publicity?—A. It does not seem to do, sir. Cases are just casually mentioned, and the fine can be paid and I do not think you would know much about it, not as much as if they were to be jailed.

*By Mr. Boulanger:*

Q. The papers do not mention them?—A. No.

*By Mr. Factor:*

Q. Do these factories obtain licences under the Factories Act, these various industries?—A. I don't think so.

Q. No licences at all?

Mr. SOMMERVILLE: They have to conform to the act.

The WITNESS: There is the charter of the company.

Mr. SOMMERVILLE: They have to conform to the conditions of the Factory Act, there is no licence.

*By Mr. Factor:*

Q. I mean, there is no licence issued by the provincial department?—A. No, only for special industries.

Q. Anybody can open up a factory without a licence?—A. There are some special industries get licences to-day.



*By the Chairman:*

Q. Do you think licensing generally would help?—A. I think it would; if there was a breach, withdraw their licences, put them out of business; although again that type would be very elusive as they are with the bankruptcy laws. They only stay out of business about a month, and then they start as their wife or some other company or something else. Their licensing might not be as effective as going to jail for the individual.

*By Mr. Heaps:*

Q. I would like to take you back to a remark you made; you referred to the question of cut prices by mass buying?—A. Yes.

Q. Was that done to meet internal competition or external competition?—A. Internal.

Q. In the ordinary factory?—A. Internal competition mostly, in the needle trades anyway; because I think it is safe to say that so far as the clothing trades are concerned, that more than 90 per cent of the sales are Canadian made. They are still enough protected from outside competition to prevent that. It is internal competition.

*By Mr. Kennedy (Peace River):*

Q. A little while ago you mentioned something about the union label on shirts and so on?—A. Yes.

Q. As being not sufficient to guarantee the sale; if there is any way of providing alongside of that union label that there was a fair price stamp as well, do you think that would help?—A. That is with this other label I referred to, the sanitized label?

Q. That was generally understood; I think that was one of the difficulties?—A. Yes, if it had government sanction given to it, it might help in that direction.

*By Mr. Edwards:*

Q. Do you mean by that manufacturer being permitted to put a retail price on his product?—A. I do not see any harm in that, if it is supervised.

Q. If it is supervised, provided the price is put on?—A. I do not see any harm in that.

Q. And that prevents price cutting?—A. We have lived past the age where we think production is the real factor; we recognize it is a duty to provide all workers with the opportunity to work. Of course, the ultimate of all that may be the socialization of industry to which we are going step by step.

Stabilization of employment: Mass buying, coupled with the demand for quick delivery often leads to disorganization of the industry. To meet the requirement of these large orders excessive long hours are, in many instances, worked for a short period. This in turn enables a moderate week's wages being earned at piece work or hourly rates inadequate for periods of more normal employment, and totally insufficient to provide against the part time or unemployment, which usually follows the completion of these orders.

It is evident that much of this could be obviated by closer co-operation between distributors and producers and the placing of orders with firms equipped to complete the same within the required time, without resort to over-time.

In respect to this mass buying, a new development to which consideration should be given, is that of municipal authority to meet the needs of their relief orders, and instances have arisen where, to secure these contracts, exploitation of labour has been resorted to. I was referring to the Toronto bakery case.

Q. That point where you speak about co-operation between producer and distributor, that is the placing of orders anticipating your requirements, seasonal requirements, certain months ahead?—A. Yes.

Q. That would relieve the situation very materially?—A. Yes. I think on that, wittingly or unwittingly, the department stores have given a lead to the present condition, because they have developed the special sale proposition which is largely advertised, and then they want a mass of goods to put on all at once, and to clear it all at once; they want it quickly; they want it while the fashion is on.

Q. Supposing there was a large department store which wanted to put on a sale of towels, for instance—50,000 or 100,000 towels—they could anticipate that two or three months ahead?—A. Yes.

Q. And that would keep your employees on an even keel, instead of rushing for a while and laying them off?—A. Yes, and further than that, I think they could eliminate a lot of it by seeing that where the contracts went, they have the equipment to do the job, instead of letting a job that needs 200 girls to do, or 200 employees, to a firm which has only about 50. Then, as an illustration of this might I read from a letter from the Joint Board of the Cloak, Suit and Dressmakers Union of Toronto. They had a strike recently:

Previous to the strike, conditions were intolerable. The cloakmakers worked as long as 60 and 70 hours per week while wages were the lowest in our history. Wages of \$15 to \$20 per week for experts was the usual custom and in view of the highly seasonable nature of our trade you can readily realize the average earnings of the cloakmakers prior to the strike.

In other words, when they were working this excess time, 60 or 70 hours, they were earning \$15 to \$20 per week.

*By Mr. Kennedy (Winnipeg):*

Q. What is the date of that?—A. February 19.

*By Mr. Heaps:*

Q. That is including female help?—A. Yes, that is a general statement. Now after the strike, he goes on:

From the above figures the increases as the result of the strike and wages all along the line for all crafts average from 25 per cent to 50 per cent. The hours are 44 hours per week with over-time completely abolished until all unemployed are absorbed, and after that over-time is limited to one hour per day for the first four days of the week, no more than four weeks per season, which means 16 hours over-time permitted in a period of six months.

This is the first time in our history that such a settlement has been obtained and as a result, the enthusiasm of our members have never been better.

It is now the third week since our people are back at work and we have placed 200 unemployed cloakmakers to work since the settlement.

*By the Chairman:*

Q. Were the wages given in there after the strike or before the strike?—A. Before the strike. For the rush period as I pointed out, they earn a greater wage per week. I will grant that during the rush period. But when it is over these piece work rates are no good to them on part time. They cannot live. They have got to go on relief.

*By Mr. Young:*

Q. You spoke about mass buyers wanting quick delivery. Supposing you are running a factory, and one buyer comes in and says, "I will take 1,000 uniforms and I want them delivered by a certain date;" then supposing, on the other hand,

that smaller buyers come in, each offering to take 100 uniforms; will they be willing to wait longer for their delivery than that one mass buyer for his?—A. That is a purely hypothetical question that I would have to leave to the buyer and seller.

Q. It is the essence of your statement.—A. No, I don't think so.

The CHAIRMAN: No, no.

The WITNESS: I think if a buyer is going to give an order for 5,000 of something to a factory where the factory was not in a position to execute that order, they resort to long over-time, while others are unemployed.

*By Mr. Edwards:*

Q. In these rush orders in which it is necessary to obtain over-time help and pay over-time wages, is that not a complete negation of the idea of the eight-hour day?—A. The over-time?

Q. The over-time?—A. Yes, absolutely.

Q. It is altogether out of balance?—A. I think if the International Labour Convention eight-hour day could be passed throughout Canada, it would eliminate a tremendous lot of these long hours, and these ridiculously low piece work rates paid, which have been made possible of acceptance even under pressure, for long hours, largely because they could not possibly live on a shorter hours, would be eliminated.

Q. In other words, you have not the desirability of having an equilibrium of hours?—A. Yes.

Q. Instead of working a few months at longer hours, work more months on a more even keel?—A. Absolutely, organization of industry.

*By Mr. Sommerville:*

Q. You still have the piece work rate in plenty of industries to-day, Mr. Moore?—A. Yes.

Q. So that the piece work system, with all its speeding-up, exists in those industries in which there is no over-crowding of hours?—A. Oh, it does exist.

*By Mr. Kennedy (Peace River):*

Q. Would the eight-hour day meet it; would it be an improvement?—A. It would be a step forward. It is nearly absolute to-day. In 1919 that was agreed to by the governments of the world unanimously and it has been given effect to by some, but not by Canada, because of our jurisdiction differences.

*By Mr. Heaps:*

Q. What has the code of the United States, what did it provide for by way of hours?—A. In some industries, 36 hours.

Q. A week?—A. I think I am right in saying that in the needle trade. I perhaps had better not speak from memory.

*By the Chairman:*

Q. We have those codes; I think a week is 40 and 44 hours.—A. Yes, but there are some 36, with the possibility of some further reduction by latest announcements.

Q. The suggestions of the International Labour Bureau are in force in the dominion field, as far as dominion jurisdiction goes?—A. Yes.



*By Mr. Sommerville:*

Q. The government have put it into operation, as far as this government or the government of Canada can do so?—A. Yes; subject to the settlement of the argument of which comes first, the egg or the hen; because they have power, if it is a treaty obligation, to put it into force, irrespective of provincial jurisdiction, and the legal argument is whether these international conventions are treaties; if you settle that, the dominion is free.

*By Mr. Ilsley:*

Q: It has never been settled?—A. No. It is pending that.

I referred to the development of mass buying by the municipal authorities and I think that is something that was mentioned earlier; that might be taken cognizance of so far as the influence of government may be recognized in making grants for relief purposes, because under this present pressure it is undoubtedly exercising a very big influence.

*By Mr. Sommerville:*

Q. Buying is in the hands of the municipality?—A. Yes, and often price is the only governing factor.

*By Mr. Ilsley:*

Q. Very often they require quick delivery, like the department stores?—A. Yes.

Q. Leading to long hours?—A. Yes.

One more thing, economic council: While inquiries, such as this now being undertaken by this committee are useful, it is desirable that there should be some method of dealing continuously with economic needs and industrial problems. To meet that requirement a national economic council should be established, which would act as a fact finding body on all questions affecting employment and unemployment and in general, the well-being of those engaged in industry, commerce and agriculture and, from time to time, make recommendations to the proper constituted authorities to deal with the same.

I think that is a very important thing that should be done, that countries have established their economic council of that kind; because there is a constant change taking place and new factors being introduced, that while we may have suggestions in some departments, are never related to the conditions of employment or the conditions of selling of agricultural products.

Other causes: Without attempting to enumerate all other causes which lead to the conditions under investigation or to minimize the effect which mass buying by department or chain stores has had upon labour conditions, I would direct attention to the following which undoubtedly have played an important part in driving down labour standards where they are to-day: (1) the endeavour of some employers to secure business at any cost; (2) over-capitalization and the endeavour to earn dividends on watered stock.

*By Mr. Sommerville:*

Q. Endeavouring to secure business at any cost?—A. Yes, at any cost at all. There are some people who started in a small way; they have been out of work a long time and they start, as has been pointed out, as a sub-contractor in the clothing industry. Their intention is to earn a living if they can. If there is pressure from above them, they will take business at any cost, because it is at least something.

Q. That must result from the effort of these people to secure business at any cost?—A. Yes, in many cases.

Q. And is that the way in which it operates?—A. Yes.

*By Mr. Young:*

Q. You think they do that because they are out of work?—A. Not in every case; some have ambitions to be employers, and some firms in business do not consider that it is any part of their duty to bother about conditions; they are only there to continue business.

*By Mr. Sommerville:*

Q. That is to say those who are selling goods make no inquiry as to the conditions under which they are produced?—A. No.

Q. The price is the consideration?—A. Price is the consideration, to meet the consumers' demand.

Q. And irrespective of what that price means to the worker?—A. None of their business; they have got to meet competition.

Q. And you say that is unfair competition?—A. I think it is an unfair condition. I am not blaming anyone for doing that, placing the responsibility, because it is competition that our system has developed, and if they did not do it they would not sell the products; they would go out of business.

*By Mr. Ilsley:*

Q. It is practically universal?—A. Yes.

*By Mr. Edwards:*

Q. Is not another factor that a great many industries have a very inaccurate cost system?—A. There is no doubt about that.

Q. They don't know what their goods cost them?—A. There is no doubt about that. Then over-capitalization and the endeavour to earn dividends on watered stock; that has played a very large part in low wage conditions. Unnecessary duplication of plants, resulting in having to meet fixed charges on idle plants. I think even a casual survey will show that there is far too much plant in almost every industry.

*By Mr. Boulanger:*

Q. The paper industry?—A. The paper industry is an outstanding example.

*By Mr. Edwards:*

Q. The iron industry?—A. I think any one of them shows that, right along the line. This is no doubt, of course, because of the restrictive action of the Combines Act and the growth of innumerable industries; that is where a code might operate to give the power of steadying.

*By Mr. Young:*

Q. You would not have the government close up some of these factories?—A. It would not have any power to do that.

Then there is the forced liquidation of stocks to meet bank loans and similar financial obligations. I think that is important, where they have been compelled to liquidate loans, they had to dispose of their stocks to department stores and large buyers, who bought them and put them on sale, to attract consumers.

*By Mr. Factor:*

Q. You mean that was the result of too much pressure by the banks?—A. I would not say too much, I think it was probably a matter of regular business.

*By Mr. Sommerville:*

Q. And that I suppose would have the effect of forcing down prices of ordinary things.—A. Absolutely, then the ordinary manufacturer has got to try to meet these plants placing bankrupt stock on sale. If a store has a bankrupt stock to sell, the man next door has got to do something to meet that if he is going to stay in business.

Then there is the desire of workers to maintain their independence and their consequent willingness to bid for jobs irrespective of the unreasonable wages offered. That is very, very prevalent among workers. It has been customary throughout this depression to look on a man who went on relief, as some one who had become a species of parasite on the community, and therefore a man rather than do that, would bid for a job at any price at all.

*By Mr. Young:*

Q. And they go below union wages to do that?—A. They will take anything at all. For instance, in the building industry right here in Ottawa, during the last two years, labourers have been offering their services for as low as 10 cents an hour, for the purpose of getting a job, rather than having to go on relief.

Q. Were any getting as low as that?—A. I do not think they were getting as little as that, but I do know that they were hired at as low as 15 cents and I do know of more than one instance where they were only being paid 20 cents an hour for a ten hour day.

Q. You know of cases where only 20 cents was paid?—A. Oh yes, there was a large apartment house building down here, built with labour which was paid at the rate of 20 cents an hour.

*By Mr. Boulanger:*

Q. That would be for unskilled labour?—A. That might be for unskilled labour, but the job was no easier because of that.

*By Mr. Young:*

Q. These men have no organization?—A. It is very difficult to hold them in any organization. We have some men who are accepting work at any price and these are aliens and Britishers, resident in Canada less than five years, because of their fear of deportation if, through their refusal to do so, they should become public charges. That situation is real, gentlemen, it is not hypothetical.

*By Mr. Factor:*

Q. In other words, Mr. Moore, do you recommend some amendment to the Immigration Act to prevent deportation?—A. I do not want to use this Committee as a forum to air my views on this question in.

Q. But we are interested in knowing them?—A. I think they are pretty well known.

Q. I mean, seriously speaking, Mr. Moore, I would like to get an expression of your opinion, because, as you know, that is a very important factor.—A. It should be done, Sir.

*By the Chairman:*

Q. Mr. Moore, stated that the fear of deportation is one of the impelling causes for the keener competition in labour. Now, that is his statement, and it is a very clear statement.—A. They would take the cheapest work they can get rather than become public charges. I wish to keep out of any political controversy just as I have done for about sixteen years, and I do not want to break my practice this morning.



*By Mr. Senn:*

Q. You have not mentioned machine production, either, have you, is not that considered a contributory cause.

The CHAIRMAN: I think he has already mentioned that.

The WITNESS: I mentioned it earlier. I did not put it down here as one of the principal causes. Mechanization has helped to bring down the standard somewhat by causing more unemployment, more because of the refusal to distribute labour more adequately to meet the situation, rather than because of the actual mechanization itself.

*By Mr. Heaps:*

Q. You recommend a shortening of hours, to some extent, I think?—A. That is essential, Sir. As mechanization extends some provision should be made for a more equable distribution of the available labour.

Now, with respect to conclusion. I am aware that some of the things dealt with in this memorandum raised the question of the respective authority of the Dominion and Provincial governments, as defined by the British North America Act. Organized labour has contended that where this acts detrimentally to the citizens of Canada, amendments to the Act should be sought. Minimum wages, I might point out, is essentially a matter of provincial legislation, and naturally so; but I think under present conditions there is some opportunity for improvement in the direction of uniformity.

Another medium whereby some progress might be made is set forth in the following resolution adopted unanimously by the National Industrial Conference held in September of 1919. That conference was convened by the government of Canada, under Sir Robert Borden, at the time, and later I think Senator Robertson took over because of the illness of Sir Robert. It was a conference of employers, organized workers and the public generally. These three groups were gathered together, and the whole field was covered very fully, I remember the conference very well. At that conference this resolution was adopted:

“Resolved: That the advantage of uniformity in the laws relating to the welfare of those engaged in industrial work in the several provinces of the Dominion of Canada be brought to the attention of the Government of Canada and of the Governments of the several provinces respectively; and, that this National Industrial Conference suggests the following as a means towards the end desired, namely:

The appointment of a Board as follows:

- (1) As respects the Dominion:
  - (a) A representative of the Government.
  - (b) A representative of the employers.
  - (c) A representative of the employees.
- (2) As respects each of the provinces:
  - (a) A representative of the Government.
  - (b) A representative of the employers.
  - (c) A representative of the employees.

“And that the Dominion Government be requested to ask the Government of each of the provinces to select or have selected representatives in respect of the province as above set forth”.

I would point out that acting on this recommendation a Dominion-Provincial Commission on Uniformity of Labor Laws was established by P.C. 721, dated 10th April, 1920, and would suggest a revival of this means of dealing with problems where cooperation between the Dominion and Provincial Governments is required.

Right on that, might I just add that I happened to hear Mr. Stapells when he was giving his evidence refer to one of the resolutions adopted at that Provincial conference which was that the Minimum Wage Board should seek the establishment of a uniform 48 hour week as the basis for minimum wage acts. That was one of the matters under consideration in 1920.

*By Mr. Ilsley:*

Q. But that Commission only met once. You would make it an annual affair.—A. I would make it subject to the call of the government, or, subject perhaps, to the call of the conference itself.

*By Mr. Sommerville:*

Q. Yes, that is what you refer to as a trade council.—A. I think it would be helpful where these matters of jurisdiction and things of that nature, matters of minimum wage laws, hours of labour, etc. are concerned, if we had some centralization of authority by which to handle them.

*By Mr. Heaps:*

Q. Are you in favor of centralization of authority as regards many of these instances you have dealt with here this morning?—A. I think it is inevitable.

*By Mr. Sommerville:*

Q. Do you think it is inevitable, under the method of distribution which has been introduced by the Chain Store and other large organizations?—A. Yes, we have the protection of trade tariffs for outside competition, which would bring down the labour standard in production; and competition between the provinces has been just as difficult and has brought about many of the present conditions.

*By Mr. Ilsley:*

Q. Your idea is that the British North America Act should be made to conform to the conditions of 1934?—A. Yes, Sir.

*By the Chairman:*

Q. Before you leave, Mr. Moore, there are one or two points I want to clear up. Did I understand you to say, with reference to home work conditions, that where work is taken home, unsanitary conditions were possible to such an extent that sometimes the material being worked on was used as bedding by the people who took it home?—A. That was shown in our investigation some years ago, but that has been eliminated by the action taken by the Health Department, largely as a result of our investigation.

Q. Do you think such conditions exist to-day where home work business is being carried on?—A. I have not been in the homes and I would not be able to express an opinion.

Mr. FACTOR: He means that that does not apply in the Province of Ontario.

The CHAIRMAN: He says, where it has been carried on.

The WITNESS: I could not make comparisons because I have not been in those districts, but in view of what the government has been doing, I presume conditions would be better.

*By Mr. Ilsley:*

Q. On this matter of centralization, would there be any disadvantage to labour in allowing some authority to deal with the matter; I can think of some that are possible, and I want to know if there are any you could think of?—A. I think there might be, they might possibly be at a disadvantage.



Q. Would there be any danger that provinces in which there was a low wage standard, and low working conditions, cutting down the general level of the standard of living?—A. It might temporarily, that is one of the difficulties you would have to face.

*By Mr. Sommerville:*

Q. You heard the report of Mr. Cassidy yesterday on certain branches of the garment industry, more particularly the men's clothing industry, and the conditions which he described there; from your general knowledge of labour conditions in Canada, would you say that the conditions described were confined to Toronto and Montreal and the surrounding districts.—A. Oh no, sir. I think that while they are in largest industrial centres of the country, and you would find complaints more numerous there, that relatively you would find similar conditions existing in any industrial centre throughout the Dominion.

Q. And are they confined to the industry which was described, namely the clothing industry?—A. I don't think so. For instance, here is a report which I presume is accurate, by Frank Mackay, the London Relief Commissioner, submitting a list to his city council of employed persons who are not earning sufficient money to maintain themselves on. One is an employee of a retail store, who is paid \$6 a week of 60 hours. Other cases of this kind were listed, and the London council, saying that they deplored such conditions, sent the list on to the trades and labour council. Then it goes on and quotes other cases—here is one of a man who is employed at a wage of \$9 a week driving a truck; and here is another who gets \$8 a week. These reports are from London, and I may say that similar conditions are reported by our office in Winnipeg. Our own trades councils there have been making some investigation and they find operators there who are receiving only \$10 a week and less for a full week's work.

Q. Operators who are receiving \$10 and less for a full week?—A. Yes.

*By Mr. Ilsley:*

Q. Has any phase of the situation in the Maritime provinces been brought to your attention?—A. They have very low wage conditions there. It is not developed industrially down there, not in the way we are referring to. I should say that the trades which suffer most are the ones I mentioned in my opening, the clothing trades; and what was said yesterday I wish to corroborate that conditions in the garment trade are the worst. There are quite a number of trades that have very little organization and among these I would include the furniture trade, but I am not going to discuss that, because I have no doubt that Mayor Kerr of Stratford will deal with that when he comes before you. Going back on my own personal observation for 20 years back, these conditions were prevalent then, and it has not improved very substantially since. Then competition is very keen in the candy trade, it is very bad in many of these small trades, and in the candy industry, there have been cases developed by the Toronto Trades Council. Then in addition to the candy-making trades, there is the shoe industry. These are probably the major ones and they are not very largely represented in the Maritime provinces, but there is the textile industry down there where wages are very low.

Q. Are there any industries in the Maritime provinces that should be investigated that you think of.—A. I will not say more definitely than in the textile industry down there, I think they are all—

*By Mr. Sommerville:*

Q. Then would you say that all the conditions described by Mr. Cassidy yesterday apply over the other industries.—A. Yes, Sir.



Q. And throughout Canada?—A. Yes, Sir. Whether it has any meaning or not, it seems, especially, to be these sales through department stores, and the way these goods are delivered.

Q. Were they sent by truck?—A. Might I just say that here is an industry that might interest you. This includes a statement of the results of an investigation in the automotive industry made recently by the Ontario Department of Labour. Reading from Appendix 3, of this report I find the case of a driver who worked seven days a week, a total of 100 hours, at a salary of \$12. Another driver who is reported from 6.30 a.m. until 5 p.m., seven days a week, for \$7 a week and board. Another driver worked 75 hours and got \$15.

*By the Chairman:*

Q. Has that report been made officially, yet Mr. Moore?—A. Yes, this is a report that has been filed. Highway drivers worked 72 hours and paid \$14.40 a week; eight drivers worked from 65 to 72 hours a week for six days a week. In another case it says, I pay \$10 a week, give board and laundry, and pay all expenses while away on trips.

*By Mr. Sommerville:*

Q. When was that report made?—A. This report was filed on December 6, 1933.

The CHAIRMAN: We want to get that in the record.

*By the Chairman:*

Q. Has that report been made yet?—A. Yes, it has. The report has been filed.

Q. We probably should have a copy of it.—A. 72 hours \$14.40. Another man receives as pay \$10 a week, "give board and laundry and pay all expenses while away on trips."

*By Mr. Factor:*

Q. When was that report made?—A. That has been filed; December 6, 1933.

The CHAIRMAN: We will get that. We will take a note of it and return it to you.

*By Mr. Young:*

Q. I would like to ask a few questions. Mr. Cassidy told us yesterday, Mr. Moore, that in the last two or three years, the trade unions have found it necessary to relax their rules somewhat, and you have found the same thing.—A. Yes. That is what I referred to a moment ago when I said the unions found it unsatisfactory. They have found those unsatisfactory conditions because of the pressure of non-union competition and mass buying.

Q. It is due to the pressure; that is, too much competition among workers for the business that is offering.—A. Too much competition among the employers for the business that is offering, and naturally among the workers.

Q. Are there too many people seeking employment in industry to-day; are there more people seeking employment in industry to-day than industry seems able to employ?—A. At the present long hours of labour yes, in every industry.

Q. In every industry?—A. I cannot tell you one where you could go from railways down where there are not more workers seeking employment than there is opportunity for work. And even if you went back to the so called peak year of 1929 they would not be able to absorb them. I had the head of a very reputable firm of employers tell me not long ago that if he could restore production to that of 1929 he would not be able to absorb more than 30 per cent of his employees because of the competition from new machines.

*By the Chairman:*

Q. Mechanization?—A. Yes, and mass buying.

*By Mr. Young:*

Q. If the general consumer were in a position to purchase all his requirements, would not that employ practically all our unemployed?—A. I did not get that.

Q. If the general consumer, the ordinary man— —A. Yes.

Q. —were in a position to purchase all his requirements, would there be this tremendous pressure among the workers, this competition for jobs that we find just now?—A. Not as much; because after all a man does not want to be put to the trouble of breaking in a new pair of shoes every day, because by that means he can purchase 365 pairs. He would only want to work as long as necessary to insure him comforts of living. Therefore, you cannot absorb all the workers, because of mechanization.

Q. You are convinced of that, Mr. Moore, are you?—A. Yes.

Q. If we could purchase to-day more than we could possibly consume?—A. More than you would desire to consume. You could then absorb what has been called luxuries, things to which the worker should be entitled. In that way you would absorb a certain amount of workers.

Q. I mean, if the ordinary purchaser had sufficient purchasing power to purchase something over the ordinary necessities, some luxuries, the production of those luxuries would give some employment?—A. Yes.

Q. And ultimately that would bring in a very high standard of living. A very large section of the community have found themselves suddenly deprived of their purchasing power, and that affects the general labour situation of the community as a whole?—A. It is a breakdown condition, sir, and that has been our objection to relief work without pay.

Q. It breaks down conditions?—A. There is no purchasing power left for the purchase of food and shelter.

Q. For one large group?—A. Yes; it creates a surplus.

Q. I have here, Mr. Moore, a report of the Department of Labour on wages, hours of labour in Canada, dated January, 1934. I suppose you are familiar with this document?—A. Yes.

Q. It shows wages and hours of labour. What I am trying to get at is the general picture of the whole scene?—A. Yes.

Q. For the last two or three days we have been hearing evidence of deplorably small wages and bad conditions in industry; but they were dealing more with local conditions than specific cases. What I am trying to do now, is to get a general picture. I find in this report dated January, 1934, that the hours of labour in manufacturing plants throughout Canada are fairly generous. Do I understand that this is not what you actually earn, but what actually would have been earned if you were employed a week?—A. Right.

*By Mr. Sommerville:*

Q. And paid union wages?—A. If the conditions which are supposed to be prevalent did prevail. For instance, you have an agreement for carpenters' wages in Ottawa of 70 cents an hour. They then take that as the recorded rate for carpenters in compiling these statistics. If you go around Ottawa, you will find a whole lot of men working for much less, especially in unorganized centres in Ottawa to-day, and therefore it does not give the true picture.

Q. This gives what would happen, if conditions were all right.—A. It gives the statistical picture.



The CHAIRMAN: Just one moment, gentlemen. What we have Mr. Moore here for is to give us factual evidence, not opinions upon theory. I think we shall come to a stage in the committee where we will be able to, each of us, advance his theory upon those subjects. It would be an enormous task for each of us to propound theories to the witness and ask him for confirmation.

Mr. YOUNG: Mr. Chairman, Mr. Moore is perhaps the one man in Canada who is familiar with these matters from the workingman's standpoint, and I want to get his views.

The CHAIRMAN: May I suggest that we call Mr. Moore here again for that purpose, because we have to adjourn now. We have another witness for this afternoon, and Mr. Young will have the opportunity to call any witness he desires.

Mr. YOUNG: How soon will that be?

The CHAIRMAN: We have a program that will keep us very busy next week.

Mr. YOUNG: Why not this afternoon?

The CHAIRMAN: We have another witness who has been here a couple of days.

Mr. YOUNG: Why not this afternoon?

The CHAIRMAN: No, not this afternoon.

The WITNESS: I will be available later.

Witness discharged, and the committee adjourned until 4 o'clock.

## AFTERNOON SESSION

The Committee resumed at 4 o'clock.

O. J. KERR, called and sworn.

*By Mr. Sommerville:*

Q. Mr. Kerr, you are the mayor of Stratford?—A. Yes.

Q. You are also connected with the furniture industry as a worker?—A. I am.

Q. And the city of Stratford is quite a centre for the furniture industry in Ontario, is it not?—A. It is regarded as the furniture centre of Canada.

Q. About how many men are employed in the furniture industry?—A. In the city of Stratford?

Q. No; the industry in Canada?—A. About 10,000 odd in all Canada, 6,500 in the province of Ontario, in the city of Stratford there are 800.

Q. And in how many factories are they engaged in Stratford?—A. Seven.

Q. Seven factories?—A. Yes, sir.

Q. And you work in one of those factories, do you not?—A. Yes, when I work.

Q. You have been working in the industry for some twelve or fourteen years, I understand?—A. Yes.

Q. Are you also familiar with the factory conditions in the other Ontario cities in which the industry is carried on such as Hanover and Hespeler?—A. Mr. Sommerville, I have made a study of the furniture industry in all the places where furniture is made in the province of Ontario.

Q. And these centres are, as I understand, Hanover, Hespeler, Kitchener, Preston, Listowell, Owen Sound and in a small way in Toronto?—A. Yes.

Q. You are a machine operator yourself?—A. I am.

Q. And you have some evidence you desire to offer in the interest of the furniture workers in the factories?—A. Yes.



Q. Now, Mr. Kerr, what is the condition of labour in the furniture industry in the province of Ontario; what are the conditions of labour?—A. Well, Mr. Chairman, there are several ways in which I might answer that particular question, but naturally the conditions of work, the payment of wages is the one that affects the wage earner the most, and these affect the wage earner at the present time because they do not provide a decent livelihood.

Q. Yes. Now, what from your knowledge of the industry—what is the reason that you assign for the poor condition of wages in the industry?—A. The first thing, Mr. Chairman—if I might read a few remarks I have prepared here covering the questionnaire—I might say that I have prepared a few remarks covering the particular examination which you desire to make at the present time, and in such I would say that the full effect of the policy of mass buying in its relation to industry, both as a factor in trade depression with the concomitant evils of low wages and unemployment, is too complex a subject to be dealt with fully in the time at my disposal. I shall, therefore, confine myself to remarks of a general nature, touching mainly on the industry with which I am most familiar both by actual experience and study of the furniture business. Probably mass buying as practised by great mail order and chain store organizations does not actually cause depression, shall I say.

Q. Does not cause a depression?—A. Yes. But there can be no gainsaying the fact that they accelerate the downward course of prices and deepen the trough into which business is falling. There can be little doubt too that this practice is one of the biggest obstacles to industrial revival.

Q. What practice do you mean; are you referring to mass buying?—A. Yes. Several imponderable factors support this contention. The public are taught to expect cheapening commodities. The radio selling for \$200 in the fall may be bought for half that amount in the spring with every prospect of a further reduction in the summer. Naturally, the would-be purchaser evinces little desire to buy to-day and when this attitude becomes general stagnation results. The vanished or greatly lessened earning power of the worker is the other adverse factor, and I am convinced that this can be attributed to a very great degree to the mass buying practice of the big retail establishments. I propose to support this story both by quoting statistics and by the result of my studies. I want to ask you just to picture the situation for a moment. The manufacturer finds that orders are becoming fewer and fewer in spite of his best efforts. He probably manufactures a good line of goods of nationally known quality and service offered for resale at standard list prices by a dealer organization built up through years of effort. Perplexed by worry and lack of business he is called upon by a buyer representing one of the great retail stores and is offered an order of imposing size for one of his better known lines. True, the price is considerably below that which has been received, but the size of the order, the assurance that it will be a strictly cash deal, and the knowledge, probably gently insinuated by the buyer that if he does not accept the business one of his competitors will decide the question. Economies have to be practised, and the easiest solution is to cut the wages of the worker. This is done, and it is quite probable a small profit is shown. Meanwhile, though, the big store has out a sale and the manufacturer has the mortification of seeing his well-known, jealously priced merchandise offered for sale at figures frequently below his regular dealer's wholesale cost. The result is a steady cancellation of orders by his old outlets who find it impossible to compete. The way is now paved for the use of the big stick, and when the next buyer puts in his appearance he does so with the full knowledge that the manufacturer is at his mercy. With his regular connection broken, the factory owner cannot resist; another big order is given, not offered, this time, because there is slight chance of a refusal, and at a price considerably lower than the preceding one. Again wages are cut, piece work is reduced to

the point where the workman has been known to be indebted to the firm for the privilege of working at the bench.

This is not an idle statement; instances of this kind actually happened in my own city.

*By Mr. Sommerville:*

Q. Stratford?—A. Yes. The vicious circle is now complete. The wage earner in receipt of a mere pittance frequently helped by municipal relief is unable to purchase more than the bare necessities of life. This lack of buying power effects all industries and chain stores in their iniquitous drive for sales and more sales. They continue to drive prices down and progressively the worker receives less and less for his labour.

The above represents my belief on the situation, and so far as I can see there are only three or four solutions which I have to suggest to your committee, after you have asked considerable questions or I have been able to give you certain information.

Q. You say these low wages are paid in your industry; will you tell me how this system operates, when a big order is given, by a big buyer? How does the system operate in the factory, so far as wages are concerned?—A. Well, I can give you several instances.

Q. Perhaps you can tell the committee, in general, the procedure as to what happens?—A. I can relate some coincidences and cases.

Q. All right.—A. To my knowledge of the manner in which it operates, it is in this fashion: the buyer will come along to the manager of a plant—not a plant, but to probably all the plants—and he has his blue-prints, and he desires to place an order for a radio, a certain line of furniture, not only has he that blueprint, but also accompanying these specifications is the price, as I understand it.

Q. The price?—A. He quotes his price.

Q. He quotes his price?—A. That he will pay.

Q. Yes?—A. And should there be any reluctance shown on behalf of the manufacturer in closing the deal, he will show the specifications and the cost from another manufacturer where he can place the order; and incidentally that will be convincing to the manufacturer to accept the order for the wanted business.

*By Mr. Factor:*

Q. That is, he is already armed with the competitor's price, from another manufacturer; is that the idea?—A. Yes, that is his business.

*By Mr. Heaps:*

Q. Do employees work on a piece work basis in those furniture factories?—A. Yes, I am coming to that.

MR. SOMMERVILLE: We will develop that principle later. I am just getting the system outlined; we will fill in the picture later.

*By Mr. Factor:*

Q. I want to ask one question. That buyer would not have the price from the other manufacturer, or he could not drive a bargain with the second manufacturer.—A. Well, of necessity he has probably in his own organization efficiency engineers and superintendents of furniture that do know the business as well as the man he is buying from, and naturally he is equipped with costs and with the specifications, and he knows the article he wants.



*By Mr. Ilsley:*

Q. Not with an offer from another manufacturer to sell at a certain price?—A. In my case I happen to have heard that that is a fact. I may say it has come to my attention that that is a fact.

Q. What is a fact, that he gets offers from one and goes to another, is that the system of it?—A. As I understand it, yes.

Q. You just said that he has an efficiency man and knows the cost and it is that with which he is armed when he goes; that is the difference.—A. As well as the price set by another manufacturer, I presume.

*By Mr. Edwards:*

Q. He starts off with an estimate and blue print of his own shop?—A. Yes, in any case he has that.

*By Mr. Sommerville:*

Q. He has a blue print and estimate from his own shop, and wherever he may get a price or estimate, you say the price or estimate is given to the manufacturer as the price or the estimate at which the business will be placed?—A. If I may point out, Mr. Chairman, during all these years he is in the habit of buying and naturally he has the prices to compare, and if he wishes to cut them, all he needs to do is to take a percentage off and state that is what he will be willing to pay.

Q. Then taking this price given to the factory manager, what is the next step taken by the factory manager?—A. In many instances, I may say before they recognized the authority and the right of the worker to participate in the organization of his plant—

Q. That is before they recognized the union?—A. That is correct, before he recognized the union of the men, he would simply make a cut in the piece work prices or even the day work rates.

Q. Before the union was organized, the manager then just announced a price cut in the piece work rate or in the day work rate, is that right?—A. Correct.

Q. And you had either to take that or leave it?—A. That is correct.

Q. Is that the situation?—A. That is correct.

Q. Did you experience these cuts during the past two or three years, Mr. Kerr?—A. Yes, Mr. Chairman, during the past ten.

Q. During the past ten years?—A. Yes.

Q. But during the past two or three years, has that become increasingly so?—A. Quite prevalent.

Mr. FACTOR: I would like Mr. Kerr to give us an illustration of that, of the modus operandi.

Mr. SOMMERVILLE: There are a number of these; we will come to the result of these cuts in a few minutes.

Q. You say the men had either to take the cut or leave it; was that the actual situation in the plant before the union was recognized?—A. Yes. He had to accept those prices or they would secure a worker that would.

Q. To what level did these prices go—or perhaps you can give us some instances of the prices to which they were reduced by this procedure.—A. I may say some as low as 10 cents an hour, probably five, but I have three actual illustrations here. I can point out the exact cases.

Q. For instance, on the piece work, will you give to the committee what the result of these cuts is in the assembling of an upholstered chair; I think you have got an instance of that.—A. I may say we will call them factory No. 1 or No. 2, as you wish. They are all in the same position, regardless of whom they are.



Q. And in all the cities?—A. In the various cities that you previously named, yes.

Mr. FACTOR: Is there any objection to getting the real name of the factory?

Mr. SOMMERVILLE: I think we will leave that to our investigator.

The WITNESS: I can give you that, Mr. Chairman.

Mr. SOMMERVILLE: The name can be given, but we can get it from the investigator later.

Q. What were the reductions in piece work for assembling an upholstered chair, for instance? What were they formerly getting or what were they formerly paid, and to what price was it reduced?—A. As an example, Mr. Sommerville, the piece work price paid for assembling a chair bought very largely by one of the largest chain stores in the city of Toronto—

*By Mr. Factor:*

Q. Chain or departmental store?—A. Departmental store, in Toronto—dropped from \$2.05 to 95 cents.

Mr. HEAPS: Over what period was that?

*By Mr. Sommerville:*

Q. When was the \$2.05 paid?—A. That would be probably 1928-29.

Mr. FACTOR: And when the other price?

*By Mr. Sommerville:*

Q. When was it reduced down as low as 95 cents?—A. Previous to September, 1933.

*By Mr. Factor:*

Q. Do you account for the drop of price by the effect of the mass buying only?—A. Considerably, yes.

Q. But not altogether?—A. Not so, no.

*By Mr. Sommerville:*

Q. Take the assembling of that chair; what did that mean? What labour went into it; what was involved in it?—A. Principally putting the frames together, naturally; and of course, in this style of chair, it is mostly upholstery work.

Q. Putting the frames together, that is putting the springs in, the back, the seat and the arms?—A. Yes.

Q. Covering it with upholstery, finishing the chair?—A. Yes.

Q. Is that the operation that is involved?—A. In this case, assembling the chair, yes.

Q. That was reduced to a price of 95 cents?—A. Yes. I may instance another case.

Mr. FACTOR: I think we ought to develop this evidence a little more, to show what other elements enter into the reduction of the price.

Mr. SOMMERVILLE: Perhaps if we get examples, we will develop it with a number of them.

The WITNESS: May I be permitted just to answer that question at the present time in this way, that it is only natural that as the commodity price drops, so the piece work rate would naturally drop; and they would take advantage of the drop in the selling price, probably over a greater percentage than they should, in accordance with the same percentage of the commodity price.

Mr. SOMMERVILLE: Did I misunderstand you, Mr. Factor; did you think this 95 cents was the price of the chair?

Mr. FACTOR: No, the price of the labour.

Mr. HEAPS: Could you tell us how long it would take a competent mechanic to earn that 95 cents?

Mr. SENN: What would he earn per day?

The CHAIRMAN: One at a time, please.

Q. Will you answer Mr. Heaps if you can?—A. Probably three to four hours in some instances.

Mr. HEAPS: Three to four hours.

Mr. YOUNG: In some instances.

Q. Give us the average.—A. I do not think it is possible for me to do that without reference to the set of tables I have here.

Q. In some instances; will it be a high one or a low one?—A. Well, in this case that is what it may be.

Q. Which?

*By Mr. Heaps:*

Q. Three to four hours?—A. Three hours—I can give you exactly the cost of any piece of furniture you want to name.

Q. For a competent mechanic then, for that class of work, he would earn approximately 30 cents per hour?—A. Yes, where he should be earning 90 cents.

*By the Chairman:*

Q. That is a pretty skilled man, is it?—A. Yes.

Q. Can you answer Mr. Senn's question?

Mr. SENN: I just asked what he would earn per day at that rate.

Mr. SOMMERVILLE: 30 cents an hour.

The WITNESS: That is so, that particular instance.

*By Mr. Sommerville:*

Q. Were other articles reduced relatively in comparison with the upholstered chair, \$2.05 to 95 cents?—A. Yes; here is another instance, 45 cents to 17 cents.

Q. For what?—A. For assembling a certain chair.

Q. For assembling another kind of chair?—A. Yes.

Mr. FACTOR: I would like to have a little more detail in these instances. I would like to have a picture in the large scale. I mean this, just the mere fact of saying it was reduced from 45 to 17 cents does not convey much to me, unless you fill in the picture.

Mr. HEAPS: If you worked at the trade, it might convey something.

Mr. FACTOR: I know that; I would like to get at the matter more fully.

Mr. SOMMERVILLE: Perhaps as he comes down, he will deal with the various operations. You will see by the series of examples that Mr. Kerr has for you, that it will probably assist you in that.

Q. What was the next result; what other instances have you there?—A. The assembling of various pieces of furniture, all the ramifications of the production of a piece of furniture. I may relate this, and it will probably give you a particular example, Mr. Factor, that for dowelling 1,000 pieces, for which in better times the men were paid 60 cents, they received 25 cents.

Q. A thousand pieces were dowelled; what is dowelling? What does that operation mean? What does it include?—A. If you will take the front rail of a chair, this same chair if you will, there are two dowels in each end. For putting

in these dowels, prior to assembling the entire chair, he would have received 60 cents previously, and on this date of this example, he received 25 cents.

*By the Chairman:*

Q. For how many dowels?—A. 1,000.

*By Mr. Factor:*

Q. What do you mean by previously, 1928 or 1929?—A. He received 60 cents formerly; now he receives 25 cents.

Q. Yes, but how long ago?—A. 1929, 1928, 1927.

*By Mr. Sommerville:*

Q. Those prices that you relate as the former prices, related in each instance to the years 1927, 1928 and 1929?—A. Yes.

Q. And the reduction took place from then to 1933?—A. Yes, or 1932.

Q. That operation of dowelling included what, centering up the dowell and hammering it in?—A. These dowells have to be glued, hammered in so that the material would not be damaged, the excess glue wiped off and frequently placed on the rack.

Q. How long would an operation of that nature take?—A. Well, in some instances, three hours.

*By Mr. Young:*

Q. Per thousand?—A. Yes.

*By Mr. Sommerville:*

Q. Two or three hours?—A. Yes.

*By Mr. Heaps:*

Q. For which he received 25 cents?—A. At the present time, in this particular instance, yes.

*By Mr. Factor:*

Q. And he got 60 cents for that in 1929?—A. Yes.

Mr. ILSLEY: Are these figures what they got before September, or what they get now?

Mr. SOMMERVILLE: These are in September.

*By Mr. Heaps:*

Q. That same worker is using a machine all the way through, a man has to work at a machine to be able to do that kind of work?—A. No, I am speaking of dowelling, not boring operations, to which you have reference.

*By Mr. Sommerville:*

Q. What other illustrations have you there, Mr. Kerr?—A. Along the same line it is noted that two of the best cabinet makers made 12 cents an hour on piece work after a raise of 33 per cent had been obtained.

Q. After an increase of 33 per cent they made 12 cents an hour, these cabinet makers?—A. Yes.

*By Mr. Ilsley:*

Q. Was that September 1933, or not, the picture we get depends upon our understanding the figures you are giving; is this 1928 or 1929; are these wages



those paid before September 1933—why do you take that date, was there a strike then?—A. That is why they went out on strike, because of the conditions.

Q. That gives us an idea, if you will limit your comparative figures to that, please.—A. The next record will give you a general picture of that. Just before the strike prices for the assembling of a tea wagon were cut from 34 cents to 24 cents, despite the fact that there was 25 per cent more work on the article; all parts such as wheels, trays, drawers, drop-leaves, etc. had to be assembled for this rate, as well as hand-sanding on each part.

Q. What did they get at the peak, 1928-29, for doing that then?—A. 34 cents.

*By Mr. Young:*

Q. You say there was more work to be done on that lately; what more work?—A. Well, that is explained in this way, in the manufacture of furniture of late years, they have been demanding a better class of work and the pay did not increase in accordance to the importance of the work in that particular case.

*By Mr. Sommerville:*

Q. On the list you have there, Mr. Kerr, what other examples have you?—

A. The lowest paid department of this plant is the rubbing department. A man receives 5 cents for rubbing a mantle radio, and 2 cents for polishing.

Q. For rubbing and polishing, what kind of a radio is a mantle radio?—A. I have an illustration here.

Mr. FACTOR: How long would that operation take?

*By Mr. Sommerville:*

Q. We will get that in a few minutes. On this mantle radio, the average man received 5 cents for rubbing and 2 cents for polishing, that is 7 cents—how many pieces could a man do in an hour?—A. On a piece work system these men would receive an average of about 28 cents an hour, being able to rub only four radios per hour; on the cabinets the rubbers could only make 26 cents an hour.

Q. And this cut shows the kind of mantle cabinet you are speaking about?—

A. That is a good example of a mantle cabinet.

Q. And it sells for about \$29.00—A. Yes.

Q. Is the radio you are talking about the cabinet alone?—A. Just the cabinet.

Q. What does the cabinet sell for?—A. In the neighbourhood of \$3.00.

*By Mr. Ilsley:*

Q. To whom?—A. To the department stores and the large buyers who buy these; I believe the majority of the orders are for 200, 500, 1,000 and possibly 2,000.

*By Mr. Factor:*

Q. That is just the cabinets?—A. Just the cabinets.

Q. The Department stores buy the cabinets alone, that is the radio cabinet?—A. In many cases the larger corporations—not particularly the department stores.

Q. That is what I want to know.—A. But the radio corporations.—

Q. That is it, the radio corporation would buy the cabinet and put a set in it and sell it to the department store.—A. Yes, such as local people, or all the rest of them that are in the assembling business.

Q. The department stores do not buy the cabinet alone?—A. No.

*By Mr. Young:*

Q. Are all these cabinet radios polished by hand, or are some of them polished by machines?—A. They must be complete when they leave the factory, at least the majority of them.

Q. They are all polished by hand?—A. Yes, they are all polished by hand.

*By Mr. Heaps:*

Q. Do you know what these cabinets, which wholesale at \$3.00, sell for at retail?—A. The complete radio?

Q. No, just the cabinet alone?—A. They would not sell them that way, Mr. Heaps, they would put the instruments in and call it a radio, which they would sell at \$29.

*By the Chairman:*

Q. That includes the case?—A. Yes.

*By Mr. Young:*

Q. What was it in 1929 before the reduction of wages took place?—A. Probably \$5.00.

*By Mr. Sommerville:*

Q. The price of the radio cabinet was probably \$5.00?—A. It is because of mass buying that prices have dropped from \$5.00 to \$3.00, and they have cut all of their other costs, particularly their labor costs.

*By Mr. Factor:*

Q. The Department store does not buy the cabinet, you cannot blame the department store for the mass buying of cabinets?—A. Indirectly it has some effect, the trade will not buy at a certain price at which the large corporation must place these on the market; naturally they have to cut all the way down the line.

*By Mr. Sommerville:*

Q. What other examples have you there?—A. In the cabinet department, which is reduced to 6 cents apiece, where they were paying 18 cents.

Q. That was on radio cases, was it, on cabinets?—A. Yes. They were only able to assemble three an hour, and that would give them from 25 to 30 cents per hour. One man in the cabinet room received from 72 cents to \$1.05 for ten hours of work. I might just explain here that some radio cabinets that formerly demanded \$20, probably sell now for \$12; just to give you an example of the reduction in the price of the actual case.

*By Mr. Kennedy (Winnipeg):*

Q. The retail price of radios generally has gone down considerably, has it not?—A. Yes.

*By Mr. Young:*

Q. You say that the radio maker who buys these cabinets has lowered his price because the department store has put pressure on to him. Now can you tell us where the pressure originated; did it originate in the department store or did it go back beyond that?—A. I am of the belief that if a person who buys these radios at \$3 apiece were able to get the same radio for \$2.50, they would be inclined to get the radio where they could get it cheapest.

Q. That is not the question I asked you, Mr. Kerr; I asked you if the department stores put pressure on the radio seller; I asked does the pressure

start with the department store or does it start with the customer.—A. In all probability it starts with the customer; and if the customer happened to be a worker, he would naturally do that, because his wage has been cut.

Q. You think the customer could not pay any more?—A. Well it is only human nature to get a thing as cheaply as you can.

Q. You think then that the customer could pay more, if he could be made to do it, and the department store would pay more to the radio man, who in turn would pay more, and you would all get bigger wages. I want to get at what is the cause of price cutting; let us get down to the bottom of it.—A. It would take two or three hours to tell you that, if you ask me.

*By Mr. Sommerville:*

Q. I believe Mr. Kerr is a factory worker, and he does not go into economics.—A. I can discuss the economics of the situation with you, if you desire.

*By Mr. Young:*

Q. But he seems to be able to trace this to a certain point, and then stops. He can't go any further back.—A. It might stop there. Good economics probably would dictate the cause; again, I think it is rather previous to the question. We are referring to examples that I have here. I can only give you the figures you ask. If you ask a question from an economic standpoint I would be glad to discuss it with you. As far as the industry is concerned I am giving you concrete examples, which I think give a good explanation of these cases.

*By Mr. Sommerville:*

Q. Let us have some more examples, if you please.—A. Before the strike one worker, employed three years, received \$3 a week piece work—that is full time, fifty hours; during the six months before the strike.

Q. That was December 27, 1933?—A. Three months before the strike they did not make more than \$6.00 per week, these particular men. Another worker, 21 years' service in one plant, frequently paid as low as 8 cents, or ten cents an hour on piece work; and one excellent cabinet maker did not make more than \$1.75 for a ten hour day for the two years previous to the strike. Another one, a skilled machine hand for twelve months received in wages approximately \$495.

Q. That is a skilled worker, a machine hand?—A. The average wage for this period being, checking off lost time in the spring, 24 cents per hour.

Q. That was an efficient man, an experienced man.—A. A skilled machine mechanic. With the girl workers, the Minimum Wage Law was not in force until after the strike, the average weekly wage being 14.69 cents per hour, which would be the equivalent of \$7.34 per week.

*By Mr. Factor:*

Q. There were violations of the Minimum Wage Law before the strike, and no action was taken.—A. Yes, Sir.

*By Mr. Sommerville:*

Q. As a matter of fact in the strike you succeeded in getting the companies to sign an agreement to pay the minimum wage requirements.—A. Yes, I may say right here that I have before me a proposed agreement with the union and one of the manufacturers here in statement 7, says that minimum wages for women will be paid.

*By Mr. Heaps:*

Q. What work do women perform in furniture factories?—A. Oh, principally in the veneer department, matching veneer, and so forth, and the various operations.



Q. Do they work in the polishing department at all, in the rubbing department?—A. Some years ago they did. Not of late years.

*By Mr. Sommerville:*

Q. This situation with respect to the women not earning even a minimum wage, was that general where women were employed in the furniture factories before the strike?—A. Yes, in the various factories that employed women.

*By Mr. Factor:*

Q. Was there any union before the strike of the furniture workers in the incidents to which you have referred and illustrated there?—A. If I may explain, just for a moment; yes there was a union of a type, a craft union. I may just say there was a special effort on behalf of the union officials, trades and labour congress of Canada to organize a trade union because it was not felt that craft unionism was the better plan of union for furniture. At this time they would not accept that form of union, and that is the reason why 800 workers did in the space of four weeks join an industrial organization, which took in every worker in the furniture trade.

Q. The craft union did not efficiently perform its duties?—A. Absolutely.

*By Mr. Sommerville:*

Q. You think the craft was changed into the machine worker, and the type of union changed into the industrial?—A. Well, there is hardly such a thing as craftsmanship in the furniture industry to-day. I may explain that in this manner: that any upholsterer to be considered a mechanic, a good upholsterer would naturally finish and complete a chesterfield or a chair, where to-day one group of men would work on arms, another on seats, another on backs, and so forth.

*By Mr. Factor:*

Q. I cannot conceive of any union doing nothing about those low wages.

*By Mr. Sommerville:*

Q. Perhaps you have some tickets there showing earnings?—A. I may say, Mr. Factor, they tried their utmost to present their best possible—

Q. Do not let me disturb your procedure or order, if you are not ready to give me your tickets?—A. In answering your question, Mr. Factor, because of the form of the organization, it did not appeal to the workers in the furniture trade. That has been exemplified, I think, as I instanced before, by 800 tradesmen joining this union in the space of four weeks.

Q. What other instances have you then, of those low results from this work in the industry?—A. May I say at this time that the employer accepts special orders from buyers which can only be sold at cost, because in this manner they can cut down on overhead cost and keep the plant running. Further, it often happens that the buyers force the price down where the goods cannot be produced without a loss, and it is therefore necessary to cut wages in order that they may keep the business. That is their angle of it.

Q. And is this what you call the specials in the furniture industry?—A. Yes.

Q. Now, the specials are, as their name implies, special orders made for large buyers?—A. The buyers make special orders for the manufacturers.

Q. The buyers make special orders for the manufacturers, you think. What proportion of the time of the factory is taken up with special orders?—A. Well, I am conversant with one case. I think I would be safe in saying that this one factory, being of the most efficient type, in its organization probably one-third of its volume of business is special orders.

Q. These are the orders which you have referred to now as being taken at a price which necessitated those cuts that you referred to?—A. Quite a number.

*By Mr. Factor:*

Q. Sold at cost by the manufacturer to the retailer. Is that what you call special orders?—A. According to their own statement, yes. In one firm a suite which cost \$10.92 to produce was sold to a Toronto firm for \$11.92; and they in turn sell this same suite for \$18.90.

*By Mr. Sommerville:*

Q. Let me get those figures again. The cost of manufacture was \$10?—A. \$10.92.

Q. The sale price to the Toronto firm was what?—A. \$11.92.

Q. And the sale by the Toronto firm to the retailer was what?—A. \$18.90. Approximately, the labour cost would have been—

Q. Wait until I get the profit. That is \$7 profit on \$11.92?—A. Yes; \$6.98 to be exact.

Q. Of the \$10.92 cost, what proportion is represented by labour, what by material and what by factory overhead?—A. About \$3.30; material cost about \$3 and other departments' overhead and so forth, a little over \$3.

*By Mr. Factor:*

Q. Labour, \$3.30?—A. Approximately.

*By Mr. Sommerville:*

Q. So that approximately it is one-third labour, one-third material, and one-third overhead?—A. Seemingly, in this case.

Q. Is that not what is the general run in the furniture industry, approximately?—A. Pretty much.

Mr. EDWARDS: Does that include transportation?

*By Mr. Young:*

Q. Can you give us the same figures for the same article four years ago? Bring it down to the same rate.

*By Mr. Sommerville:*

Q. There are some other instances?—A. I have others, Mr. Young.

*By Mr. Young:*

Q. Give me the figures broken down for the same article for the two periods.—A. Yes.

*By Mr. Sommerville:*

Q. Let me understand this. Have you got the figures showing what would be the price from the manufacturer to the large buyer four years ago; have you those figures with you, Mr. Kerr?—A. I am endeavouring to give you the peak and the reduction. I would take it that the percentage would be the only manner in which I could relate it to you without going into the cost of the individual case.

Q. You have not got that?—A. Yes, I have. I have here the exact cost of every operation in the furniture trade in that particular buffet; but this would take considerable time for me to give you. I will leave this with you, if you like. That is a good example. It relates the percentage; I would say, from 10 to 40 per cent reduction.

Q. From 1929?—A. From four years ago.

*By Mr. Young:*

Q. It shows the 1929 prices broken down the way these present prices are in this article?—A. Yes.

Q. The present prices broken down and the former prices broken down, so that we can compare them.

Mr. SOMMERVILLE: I am afraid not.

The WITNESS: I will answer it this way, Mr. Sommerville; that the article to-day which cost \$10.92 here, probably four years ago would be \$14.

*By Mr. Factor:*

Q. Broken up how, one-third?—A. By approximately the same percentage as I have given you in this instance.

*By Mr. Young:*

Q. You have not got the retail selling price at that time?—A. Oh, about \$28.

*By Mr. Factor:*

Q. \$28?—A. Yes.

Mr. SOMMERVILLE: About 100 per cent marked up?

*By Mr. Factor:*

Q. Have you got the price from the producer to the retailer?—A. That is it, \$18.90. You have that cost.

Mr. YOUNG: No.

Mr. ILSLEY: Cannot the investigator get those costs exactly?

Mr. SOMMERVILLE: We will get the exact costs on scores of articles in a direct, scientific and thorough manner.

The WITNESS: May I say I have one here, the buffet, which is a very good example.

The CHAIRMAN: Will you leave that with us?

Mr. HEAPS: I wonder if Mr. Kerr has the figures for radio costs over the same period of years.

Mr. SOMMERVILLE: I am afraid not, but we will get them from the investigator.

*By Mr. Sommerville:*

Q. Now, will you just continue with your instances of what these piece work methods resulted in so far as wages were concerned on those special orders?—A. Just previously to that, Mr. Sommerville, may I state that large corporations send their buyers to the furniture manufacturer with an offer to pay a certain amount for a certain number of suites, and the manufacturer takes those orders because they can be put through under the overhead of the profitable order. This in one firm has developed up to a stage where the buyer has cut the price on orders to such an extent that they were seemingly obliged to request the workers to accept piece work cut and also in their day rate reduction.

*By Mr. Young:*

Q. You can give us a specific example of that?—A. Yes.

Q. You will give it to the chairman, the name of the firm, and the full particulars.—A. I will.

Q. Date and all.—A. Yes, I can.

*By Mr. Sommerville:*

Q. What cases have you?—A. Some of the wages paid to various mechanics.

Q. Give us some of the 17 employees you mentioned to me.—A. Here is one,



in any case: trim saw operator worked 114 hours, received \$18.72. That is an average of 16 cents an hour.

Q. 114 hours is two weeks work.—A. Yes. This was two weeks previous to the strike, September 14, 1933.

*By Mr. Ilsley:*

Q. Are you going to give us some wages after the strike?

Mr. SOMMERVILLE: He is going to give us a proportion of the increase.

The WITNESS: I was just about to say, Mr. Chairman, right here, after the strike this same operation commanded 35 cents an hour.

*By Mr. Young:*

Q. Under present conditions?—A. It is not, as yet, enough for the mechanic. Rubbers and polishers, average pay on radios, was 28 cents an hour, 7 cents for rubbing and polishing a mantle radio, 6 cents an hour on one I showed you there. Cabinet makers, working 10 hours, receive \$1.05, an average of 10 cents an hour. Again, 10 hours, received 72 cents, just about an average of 7 cents. In this plant, the highest average was 30 cents an hour.

Q. That was last September? Have you not got the figures for the present time?

*By Mr. Sommerville:*

Q. Mr. Kerr, perhaps you will give us what the percentage of increase was which was obtained as a result of the strike?—A. If you wish me to.

Q. Approximately.—A. If you wish me to go just a little bit ahead of what I have to offer you, I can do that.

Q. Would you give it to us, approximately 10 per cent, 20 per cent, or 25 per cent, the approximate increase.—A. I can give you both. In this case, September, 23·3 cents; the new rate is 28·5 cents.

*By Mr. Factor:*

Q. Per hour?—A. In one department. Another department 25·3, an increase of 26 cents—26 cents is the rate now. Another department, 21·3, increased to 26·3; another department 27·6, new rate 31·7. I wish to state, Mr. Chairman, that this is still under the piece work system, not day rate, not a guaranteed day rate by any means. Another department 30·1 to 34·3. In this plant of over 100 employees, the average rate per hour was 25·9 cents previous to the strike; after the strike, 30·2.

Q. Were those rates accepted by your new union?—A. Not acceptable by any means, but the best possible arrangement that could be made at that time.

*By Mr. Sommerville:*

Q. Have you some tickets showing the earnings of those employees, Mr. Kerr?—A. Yes. If I might continue the special rates, I should be pleased. In another plant machine room 30 cents per hour average, 35 cents finishing room; cabinet room 35, assembling 30 cents to 35. In another plant, one of the largest in Ontario, 35½ cents, machine room; cabinet, 26 cents; boys under 21, 13·8; young men over 21 years of age 21 cents. In another factory 26, 25, and 23 cents.

*By Mr. Young:*

Q. Is it the same work as the boys did, or work of a different type, and in different factories?—A. Yes. Cabinet room 26 in the other factory. It is 23 in the last mentioned factory. May I say, Mr. Chairman, that I have figures not only for the city of Stratford but in various towns and cities that Mr. Sommerville noted there.

*By Mr. Sommerville:*

Q. These variations to which Mr. Young refers are variations in the result of the piece work?—A. Yes.

Q. They are the piece work results. That is to say, the men working on piece work could not make more money than that, or did make the money that is referred to?—A. Yes.

*By Mr. Young:*

Q. In some factories they made more than others?—A. Yes.

Q. That was the hour rate?—A. Yes, the average.

*By Mr. Kennedy (Peace River):*

Q. How many hours did they work?—A. From three hours and up—two hours—five to nine.

*By Mr. Young:*

Q. Would the piece rate be so much, or was this because they did more work in one factory than in another?—A. It is the average rate per hour.

Q. That is what they earned. Why did they earn more in one factory than in another? Was it because of the average rate that was paid or conditions were such that they could do more work?—A. Both.

*By Mr. Heaps:*

Q. Could you give the committee an approximate average of the number of weeks a furniture employee would work in the year?—A. Well, under the piece work system a great number of them—as you say, the average—that example I note here of the man earning \$495 in a year at 24 cents an hour is an example of how long he worked. The same would relate to a man earning 30 cents an hour or 50 cents. His time in many cases is only half the time he worked previous to the depression.

Q. Would he work eight months in the year on an average?—A. In many instances.

Mr. SOMMERVILLE: During the year 1932?

*By Mr. Heaps:*

Q. Take the last year. How many weeks work did they have in a year?—A. I would judge about half to two-thirds of the regular time, many of the employees.

*By Mr. Young:*

Q. They would all get that?—A. Yes. I want you to understand that the worker was always at the call of the whistle.

Mr. HEAPS: Yes. I want to find out what the annual wage of these men or women employed in the industry was. You gave us a figure of \$490 in one case. In the other case the men worked on piece work averaging from 20 to 35 cents per hour. Your contention is that they will work from six to seven months in the year?

The WITNESS: Yes. In many instances he was at his bench practically all the time. That is the fallacy of the piece work system.

Mr. HEAPS: Is that the actual amount of time he worked, approximately six to seven months?

The WITNESS: Yes. I have given you the average per hour for a 50-hour week.

*By Mr. Sommerville:*

Q. For a 50-hour week, and in the trade I think the variation was six to nine months that men worked in the industry?—A. The average. May I say, Mr. Chairman, according to the Statistics Bureau that 1,200,000 laid off work would be a good example of how many men were cut out of work.

The CHAIRMAN: That is not quite right. I think at the peak 1,300,000 were on relief, at a certain time. Therefore, that was not the number of workers that were off. Your statistics were not quite right.

The WITNESS: No.

Mr. FACTOR: You are treading on dangerous ground there.

*By Mr. Young:*

Q. Would you say the industry is working a little more than 50 per cent of normal?—A. I believe.

*By Mr. Factor:*

Q. In 1933 what was the average weekly pay of a cabinet maker?—A. Not over, roughly speaking—not over \$12 a week.

Q. And they would be employed about seven months during the year?—A. Not always. Of course, with the piece work system you see, Mr. Chairman, they may work seven hours one day and they may be off half a day. If they are working straight time, of course, I believe the average would be in accordance with the number I have quoted here.

*By Mr. Sommerville:*

Q. Now, you have some tickets showing the wages earned by experienced men in the industry?—A. Working on radios in this particular firm a man with 30 years' experience—by the way he has six children—he had earned at this time for seven and three-quarters hours \$1.43. Another case, one and three-quarter hours, 24 cents; seven hours, \$1.36; ten hours, \$1.92; ten hours—this is another man—\$1.08; nine hours, \$2.54; ten hours, \$2.31; ten hours, \$1.49; ten hours' work, \$1.23; ten hours, \$2.38; ten hours, \$1.52; ten hours, \$1.86; another ten-hour day, \$2.03; ten hours, 76 cents; ten hours, \$1.10; eight hours, 97 cents; ten hours, \$2.58; ten hours, \$1.45; ten hours, \$2.96; ten hours, \$2.31; ten hours, \$1.42.

*By Mr. Factor:*

Q. Were they all experienced furniture workers?—A. Yes. I quoted one man who had thirty years' experience.

Q. All these others were experienced men?—A. All mechanics in the trade except the unskilled men, helpers and apprentices.

*By Mr. Sommerville:*

Q. Are those indicative of conditions in that particular plant where that particular employee worked?—A. Quite prevalent.

Q. What other instances have you, Mr. Kerr?—A. If I might just at this time, Mr. Chairman, give you a picture of the cost that is related in some of our sales catalogues—

Q. Without mentioning any names, or any catalogue?—A. I do not think it is necessary; you know. In this case a suite selling for \$57.95, I note in one paper of recent date, was advertised for \$57.95 and a few days later advertised for \$59.95.

Q. By the same firm?—A. By the same firm, the same suite. As I was able to secure the price in one of the factories in one of the towns mentioned



here it could not be made for less than \$65 approximately. I do not believe that was made in the province of Ontario—in the province of Quebec, probably, where the standards are a little bit lower and they are not on the same basis of work as we in Ontario are.

Q. Have you some competition from the furniture factories in the province of Quebec?—A. That, of course, is quite prevalent.

Q. And does that affect the prices that they get for work in your factories?—A. It depends considerably on the amount that they buy, when I speak of these orders—mass purchases.

*By Mr. Ilsley:*

Q. The \$65 figure you give is what is called hearsay evidence of the cost?—A. Only from one superintendent of a factory; that is all.

Q. Do you know what factors entered into that? Is it interest on capital and everything of that sort? You do not know anything about that?—A. Yes. I may say I do. I could have; but I did not understand Mr. Sommerville intimated I should give you that; but I can.

Q. Will you give Mr. Sommerville the name of the department stores and manufacturers and this can all be checked up?—A. Yes.

*By Mr. Sommerville:*

Q. May I get this clear. The incident you refer to concerns a suite that was offered at \$57, and the cost to make that suite in the factory that you refer to would be \$64?—A. Practically.

Q. It sold less than the cost at which it could be manufactured in your factory?—A. Just so.

Q. That is the illustration, and that is the purpose of the illustration.

Mr. ILSLEY: I thought he was going by what a superintendent of another factory in another province told him the cost was of making this suite.

Mr. SOMMERVILLE: In the other factory; in the Ontario factory.

Mr. ILSLEY: Where it was made. Is not that right?

Mr. SOMMERVILLE: No. That is not right.

The WITNESS: There is a suite advertised here at \$57.95. The factory related to—the superintendent told me he could not make that suite for less than \$64.

Mr. ILSLEY: That is another factory, not your factory, not the factory you are acquainted with; it is another factory in another province.

Mr. YOUNG: That suite came from another province, but you do not know what it cost.

The CHAIRMAN: Why not let the witness give his own version.

The WITNESS: It is here pictured.

*By Mr. Sommerville:*

Q. Is it a dining room suite?—A. Yes, Mr. Chairman, it is advertised there for \$59.95 and in the paper I have before me it is advertised at \$57.95. That factory which I referred to—the superintendent told me according to his figures he could not produce it for less than \$65.

Q. Before you go on to that, let us clear this matter up. This is not the factory that made this suite to which you refer, but if that factory to which you refer had made it they could not have made it for less than \$65.90; is that the point?—A. \$65 in that case.

Q. The indication is that it was made in some other place.

Mr. FACTOR: Don't let us paint the picture darker than it is.

The WITNESS: It is dark enough.

*By Mr. Factor:*

Q. You do not know what the actual cost price of that suite that was advertised for \$59.95 was?—A. Well, no; but I can give you glowing examples. If you ask me the cost of any piece of furniture, I have it in my possession.

Q. We are on this one. There is a dining room suite that is advertised for \$59.95. Can you tell me what this retail store paid for this suite?—A. To the manufacturer?

Q. Yes?—A. If they were buying it from the factory that I have reference to they would have to pay \$65.

Q. Yes. I understand that.

Mr. SOMMERVILLE: That is what would be paid for this piece of furniture if it were made in this factory in Ontario; that would be the cost to make it, \$65.95.

Mr. ILSLEY: He knows that because the superintendent told him.

The CHAIRMAN: Gentleman, is not this the point: if this suite had been made in the factory about which he has been giving evidence and under those conditions regarding wages which have been spread on the record then, where those conditions obtained, the suite would have cost \$65; is that right?

The WITNESS: In many cases that would have been the cost. That is one extreme point I am endeavouring to bring out in the competition.

The CHAIRMAN: Is not this the point: if a suite sold for \$57 which you say would cost \$65, it is left to us to imagine what the labour conditions are in the factory in which it was made at that price.

Mr. FACTOR: I hope we get better evidence than our imagination.

The WITNESS: Mr. Chairman, regarding the remarks of Mr. Factor, I want to tell him if he will let me at some time I will be able to give the exact labour cost, material cost and any other cost regarding some of these examples.

Mr. FACTOR: I am not trying at all to argue with you; I am trying to get the evidence in shape so as to know what this suite that is selling for \$59.95 cost the retailer.

The CHAIRMAN: He does not know it. Mr. Kerr, suppose we leave that one and deal with something you have knowledge of.

Mr. HEAPS: The witness made reference to the fact that in other parts labour conditions are not the same, but if there are any other places in Canada worse than in Stratford where they get 25 and 30 cents I would like to hear of them.

Mr. SOMMERVILLE: The witness is speaking of Ontario.

*By Mr. Heaps:*

Q. Are there any other places in Ontario worse than Stratford?—A. That would indicate to me that there are some places.

Q. In Ontario?—A. Some places in Ontario and some places in Quebec.

Mr. FACTOR: What would that indicate to you?

The CHAIRMAN: We are dealing with a supposition. There is no use going any further because we cannot get the fact. We can go on with something he does know about.

Mr. SOMMERVILLE: Will you go on with the illustrations you know of?

Mr. FACTOR: There is no use creating too much atmosphere without getting down some facts.

The CHAIRMAN: Let us get on with something that he does know about.

*By Mr. Sommerville:*

Q. Will you give the illustrations you are aware of, of the cost of articles that are advertised; you referred to one, a bedroom suite?—A. Yes.

Q. Will you give me that, please?—A. One that is advertised for \$59.25.

Q. You have got that picture there?—A. This factory said that it cost \$33; they sold to this particular buyer.

Q. The buyer that advertised this suite, this 3-piece bedroom suite that you refer to, was advertising for \$59.25?—A. Yes.

Q. The factory sold it to them for \$33?—A. On their own statement, yes.

Q. That left a profit of \$26.25?—A. Exactly so.

Q. That is the profit to the vendor of the bedroom suite. What is the labour cost in that bedroom suite that sold for \$33; what is the proportion of that in labour?—A. About one-third of that.

Q. About one-third?—A. Yes.

Q. \$11; so that in that event, the spread between the manufacturers' price and the sale price, of \$26.25, was more than double the entire labour cost in the manufacture?

Mr. ILSLEY: \$59.25; you said \$26.25.

Mr. SOMMERVILLE: The spread was \$26.25, which was more than double the entire labour cost in that suite of furniture.

*By Mr. Factor:*

Q. In this particular instance, do you know what the total cost to the manufacturer was?—A. Well, Mr. Factor, he sold it at \$33.

Q. Would he be losing money on it, or making money on it?—A. According to his statement, these special orders very, very seldom make anything, and most generally they lose or break even, in accordance with putting these special orders through the factory under the same overhead as their regular orders.

*By Mr. Sommerville:*

Q. You have an illustration that you referred to, of a wardrobe?—A. Yes, as I have the figures, where a wardrobe cost \$10.84.

*By Mr. Young:*

Q. The factory cost?—A. What he sold it at?

Q. That is the factory selling price?—A. No, he received \$11.

Q. He received \$11?—A. Yes; he claims it cost him \$10.84.

*By Mr. Sommerville:*

Q. The manufacturer made 16 cents over and above the factory cost?—A. Apparently in this case, as it has been intimated to me.

Q. And the sale price by the store was what?—A. If my memory serves me correctly, it was advertised at two different prices, I believe; \$7.70, I think, added on that.

Q. \$7.70 added on the \$11?—A. Yes.

Mr. YOUNG: \$18.70.

The WITNESS: Sold for somewhere around that. They would sell it at different sales, I presume, at different prices.

Mr. KENNEDY (*Peace River*): Will we get these costs and statistics.

Mr. SOMMERVILLE: Yes.

Mr. ILSLEY: We will use these as a basis, I would think.

Mr. SOMMERVILLE: Yes.

Mr. FACTOR: Enlarge on the picture later on.



The CHAIRMAN: Oh, yes, we will get the precise data on that.

Mr. FACTOR: This just gives us a glimpse.

*By Mr. Sommerville:*

Q. In this instance there was a spread of 60 to 70 per cent over cost?—

A. Yes. As you have asked me to present them in this fashion sort of, I have the cost here.

Q. What do you say as to your knowledge of whether or not that is the usual spread known to the workers in the furniture trade as between the manufacturers' selling price and the large retailers' selling price?—A. Yes, it is quite prevalently known by the workers, almost exactly the difference in the cost and the retail price.

Q. And what is that percentage that is known to the workers?—A. We presume that it is about 70 per cent.

*By Mr. Young:*

Q. Where do you get those figures, the 70 per cent that you presume?—

A. We have investigators in our union; and the same as Mr. Moore related to you, it is their duty, they find those things the same as any other organization.

*By Mr. Sommerville:*

Q. What other instances have you?—A. I can give you another factory, Mr. Chairman, where the old rate of 19 men mechanics was 35¼ cents; the new rate since the strike is 45 cents.

*By Mr. Young:*

Q. Piece work?—A. Yes, mostly piece work.

*By Mr. Sommerville:*

Q. In the doing of this piece work, do I understand that the rate is set for an hour, and then you are supposed to produce an article within a certain time, and if you produce the article in less than that time, you get a bonus or an advantage?—A. There is the time payment which is commonly known as a bonus.

Q. How does that operate?—A. That is the straight piece work system, in dollars and cents.

Q. How does it operate?—A. May I say that a certain operation where a person would be given probably three hours, say, to rub that top, if they complete that operation in 2½, they get 3 hours' pay.

Q. Three hours' pay?—A. Yes, whatever the rate may be; in many cases it may be 20 cents an hour, may be 25, 30 and so forth.

Q. And the amount that they save is what is referred to as a bonus?—A. Exactly.

Q. And referred to as so many points, is that right?—A. Yes.

Q. And when you find the men are getting to a point where they can produce that piece of work in the 2½ hours instead of the 3, what happens under the system?—A. If they wish to make wage slashes as they have done, and it comes to the efficiency engineer, there is the possibility that the next time an order goes through of a similar nature, that the price may be two and a half.

Q. Two and a half; is that a fact?—A. I know that.

*By Mr. Young:*

Q. You have seen that happen?—A. I know that to be a fact.

*By Mr. Sommerville:*

Q. Is that the way the cuts take place in the piece work plant?—A. They have.

Q. What other instances have you there?—A. Take in this particular plant where girls were employed, the minimum wage was not enforced until after this strike, the average weekly wage being in the neighborhood of \$7.50.

*By the Chairman:*

Q. Do you find any reluctance on the part of these girl workers to complain that they are not getting their just rates?—A. They complain, Mr. Chairman, but in many instances they do not care to have it made public for fear of losing their job. That is prior to the strike. Now, of course, all the complaints come before their union.

*By Mr. Factor:*

Q. Where would the Minimum Wage Board come into this picture? Would they get the pay sheets for the average twelve weeks?—A. I am rather inclined to think that they have been somewhat delinquent in the past. I may relate that the Trades and Labour Council some four years ago had a glaring example of a girl's wages being \$3 for 70 hours work. It was brought to the attention of the board, a man was sent down to place the case before the board, and up to the present time we have not heard anything about it.

*By Mr. Kennedy (Winnipeg):*

Q. Would that be a fair commentary on their general activities?—A. I am not acquainted with some of the cases they deal with now, but at that time, that instance is a fact.

*By Mr. Sommerville:*

Q. That is some four years ago?—A. Yes; and no doubt this council and the union have carried on their activities, has been noted here, in many cases the minimum wage has not been enforced.

Q. Since the strike and the improved conditions in wages that were obtained, which you have related, have there been any efforts at cutting to meet these specials even since September last?—A. Yes, Mr. Sommerville, there is, in this respect: I know one plant where they had told the officials of the union to influence the workers to accept—at least to consider a 10 per cent reduction, so that they may be able to accept a large order that was coming, intendedly so.

Q. From one of these mass buyers?—A. From one of the biggest buyers in Toronto.

Q. Do you know of any instance where the employer asked the men to sit in with a view to reducing wages, so as to take an order?—A. The proposition was put up to the officials, as I have just said, to consider the matter.

Q. By the employer?—A. They would intimate that we should consider that, so that they may be able to compete with the other firms for these orders.

*By Mr. Factor:*

Q. In Toronto, who sells the most of the furniture, the departmental stores or the exclusive furniture stores, do you know?—A. Well, the larger organizations naturally handle most of the special orders, because they place orders in lots of say 100 suites, where a small buyer may buy two or three suites.

Q. You mean the departmental stores handle most of the special orders?—A. Yes.

Q. But generally speaking, in the furniture business, do the departmental stores sell more, or the exclusive furniture stores; do you know that?—A. Yes, according to the manner in which they order, naturally they sell the most.

*By the Chairman:*

Q. Which, the departmental stores?—A. The departmental stores. I can give you the names according to my brief.

Q. The Department store distributing system, we will speak of it in that way.—A. Exactly, and throughout the length and breadth of Canada. May I relate here again that this is still in the furniture centre, where the average wage is 20 cents an hour for a twelve hour day. Examples can be quoted that men with over seven years experience are getting as low as 5 cents an hour on piece work.

Q. Yes.—A. Another plant in the same place, a cabinet maker gets \$12 for 90 hours' work. Here is another example of an upholsterer—even after a 100 per cent increase he was able to make from 35 to 40 cents an hour.

*By the Chairman:*

Q. Alter the increase?—A. After he had received a 100 per cent increase in this case; and a cabinet maker, 25 years' experience, in still another plant, might make some 16 cents an hour.

*By Mr. Factor:*

Q. Do they know when it is a special order, do the employers tell them.—A. Just as surely as they know when pay day comes, they know when their orders come in.

Q. They are told that it is a special order.—A. They certainly are, Mr. Factor.

*By Mr. Sommerville:*

Q. Now, will you refer to the next plant, Mr. Moore.—A. The men cut from 60 cents an hour to 40 cents an hour.

Q. What kind of work would that be?—A. Probably upholstery work. In some of these cases the men work 73 hours per week.

*By Mr. Young:*

Q. Did these men benefit anything by the strike, where they got as low as 40 cents an hour?—A. In any case where they have had difficulty such as a strike, they have benefited.

Q. They were cut from 60 cents an hour to 40 cents an hour and now they are getting the same thing, the same 40 cents.—A. It is not where the strike took place that I am referring to now.

*By Mr. Sommerville:*

Q. You are referring to another centre?—A. Yes.

*By Mr. Factor:*

Q. Would the strike have any influence on the other complaint, in increasing prices?—A. Yes, Mr. Factor, I think it is common knowledge that a considerable number of firms, not only in the furniture industries, but others, immediately after the strike or even before it was settled, had increased their employees ten per cent. I have read of that in certain cases, and know it to be a fact that they have. I have some more examples, in another city, where the workers under 21 received 18 cents, 12 cents, 12½, 12, 15, 12½, 25, and 12½ cents; unskilled 17½, 22, 25, 19, 27, 18, and 20 cents, etc.

*By Mr. Baribeau:*

Q. You believe that the conditions are worse in Quebec.—A. I believe that, yes.



*By Mr. Sommerville:*

Q. They are bad enough with you, are they not.—A. They certainly are. Still another plant, where unskilled men are receiving 20 cents, 25, 18, and 15 cents; semi-skilled men 30, 25, 30, 26½, 27, 26, 22, 28, and 30 cents.

*By the Chairman:*

Q. That is what they are receiving now?—A. Yes, in these plants. Skilled 30, 35, and 30 cents—there are many examples of that kind. Piece work, in their plant for boys under 21 12½ cents an hour; their unskilled over 21 were receiving 20 cents 25, 15 and 18 cents an hour on the average; raised to 28 cents. Piece work, again semi-skilled, 30 cents, 25, 27, 22, 26, 28, and 30 cents through the piece work system, and they have been increased to 35 cents since the strike. Skilled men, piece work, 30 cents, 30, 35, etc., they have been increased by the efforts of the strike to 40 cents an hour.

Now again we have in another town, where married men average 20 cents an hour; still another company in that town, 15 cents an hour, and again 20 cents an hour. Here is another town, where they receive 25 cents an hour, an average of 20 cents an hour, and 30 cents an hour—and I could go on and relate the situation throughout the whole industry in Ontario in all these various towns.

*By Mr. Sommerville:*

Q. In these illustrations you have given us an indication of the condition that exists generally in the towns of Ontario in which the furniture industry furnishes.—A. Yes, might I relate a couple of examples of the injustice of piece work prices, where a certain manufacturing company had an elevator man on production on a basis previous to the strike, and because of the depression and the small volume of business, his earnings were as low as 75 cents per day. The minimum wage act for women had never been observed in this factory, signs had been posted throughout the plant as was required by law, but no improvement has been made in the wages paid. One man's production of suites built at the following rates; for upholstering the two arms 20 cents each, or the complete suite of six arms \$1.20.

Q. Will you let me get just what that means; assembling, that means putting the springs in, and covering, and finishing and all that.—A. And upholstering.

*By Mr. Factor:*

Q. How long would that operation take?—A. According to the work which might not necessarily be complete—probably an hour to an hour and a half for some operations. These jobs go through the factory, you see there are two chairs to a suite, that would be 20 cents; then for springing the back of the suite, 25 cents, and for springing the seat of the suite, 25 cents.

Q. That is putting the springs in the back and in the seat, and he would get 25 cents for each operation.—A. In some factories, the time required for the average worker to spring the back and the seat—the complete suite would take 1 to 1½ hours. These suites wholesale at \$129.50, with its best quality of covers and for \$49 in the poorer quality of covers, a trade job known as an automatic.

*By Mr. Young:*

Q. Is all of the rest workmanship; some of that difference perhaps is accounted for simply by the difference in the quality of the covering, but that is an enormous difference.—A. That is the spread which is due largely to the difference in the quality of the covering.

Q. What is the spread in price there?—A. These suites sell at wholesale for \$129.50 for the best quality of covering, and for \$49 in the poorer quality of covering.

Q. That difference of \$80 is for the quality of the covering.—A. Yes, please note that there is a big difference when good quality of mohair is used as the covering for the whole suite.

Q. The quality would warrant that spread in price.—A. Yes, just the difference in the quality of the material, in that instance. Mr. Chairman, I may say that here I have what you were relating to a little while ago, the cost of the entire suite.

*By Mr. Sommerville:*

Q. We can get these subsequently for investigation?—A. You can have them, yes. Now, here is another one relating to special orders in 1932 and 1933, where the contractor's price is considerably below the regular standard, in order to keep the plant in regular operation, with the result that the piece work rates, really the wages paid, had to be reduced to meet the reduced sale price. In negotiating the settlement in the furniture workers' strike in my town, this particular company stated that they would not be able to take any more special orders because of paying a higher wage rate, they could not meet competitive prices and at a meeting of a shop committee with the management, he asked the men to consider taking a ten per cent reduction in wages while working on special orders.

Q. And this was recently, since the strike?—A. Yes. And he said he would guarantee that it would not comprise more than a percentage of the work.

Q. What percentage of the work?—A. I believe in this case it was one third. I have still another case where a firm met losses in competition with the firms that they have to come up against where they would make a cheaper grade of material in building a frame, and where this manufacturer related to a meeting of his employees but a short time ago that he had a plan for producing a type of article which he believed would almost completely squeeze out the small manufacturers in the competing market. I am giving you his statement as he gave it to the employee.

*By the Chairman:*

Q. Did he say there what this plan is?—A. Yes, it is in the construction, where probably in the case which I related to you, where he put in a dowel in a substantially assembled article, he would change that in the construction and the whole form and the assembling of that particular suite—I think that is what he had in mind.

*By Mr. Sommerville:*

Q. Would he make it more substantial?—A. No, it would be a cheaper article.

*By Mr. Young:*

Q. He is going to chase out the man putting out the cheap article?—A. He is going after him, in any case. Very often men are required to remain at the factory for the entire day, while during that time on a number of occasions they would only have about an hour's work in their particular line.

*By the Chairman:*

Q. That is they have to stand by?—A. Absolutely, and in the majority of cases the average man's wage earned in this way is 45 cents for nine hours in these cases.

Mr. FACTOR: That is for one hour's work, really.

*By Mr. Sommerville:*

Q. How does the stand-by system work?—A. Usually the men are paired, and naturally the one remaining would secure all the work; consequently both remain to obtain their share. That is one of the fallacies of the piece work system.

Q. One man has to stand by the other.—A. Yes.

*By Mr. Young:*

Q. You said something about a man having to pay the company for the privilege of working there, that he would have to pay for the privilege of working at the factory.—A. Yes.



*By Mr. Sommerville:*

Q. Do you mean by that statement that in some instances the piece work system was so bad, that the men were indebted to the company?—A. Yes. A man would probably have two weeks work on a certain number of pieces of that suite, he would receive we would say 40 cents an hour for 100 hours, and it might take him 150 hours, so he would start in when he started another job by owing that job, by falling below the price that was given, and when he drew his pay, naturally he had to owe the other job, in order to make an average of 30 cents an hour.

Mr. FACTOR: Do you understand that, Mr. Sommerville.

Mr. SOMMERVILLE: I think I got it.

Mr. FACTOR: I am sorry to say, I can't, yet.

*By Mr. Sommerville:*

Q. A man would be allowed \$40 for doing 100 hours' work, is that right?—

A. He would be paid \$40 for a job that would take him 100 hours.

Q. That job would take 100 hours, that would be the amount allowed for that job, and if a job took 200 hours, what then?—A. Well, he got \$40.

Q. He got \$40 for the 200 hours, and when he started on any other job, he owed the first job the 100 hours; is that it?—A. Yes, and there would be, maybe, ten men working in the shop.

Q. In other words, when he took longer than was necessary to do that job, then his excess was charged on the next job, or charged against the next job; is that what I understand, Mr. Kerr?—A. Well, he had to do it in any case. He only got \$40. That is what I am trying to point out.

Mr. YOUNG: To whom did he owe this money?

Mr. FACTOR: I would like that explained. Perhaps it is the ventilation, but I am particularly dense in that regard.

*By Mr. Kennedy (Peace River):*

Q. In other words, he was allowed 40 cents for 150 hours?—A. As an example, that is right.

Q. He got \$40?—A. He got \$40 for that particular job.

*By Mr. Factor:*

Q. He may have to work 100 hours or 150?—A. Yes.

*By Mr. Sommerville:*

Q. That man is being paid in hours.—A. Yes.

Q. And if he took 150 hours to do a 100-hour job, then he owed 50 hours?—A. He only got paid \$40.

Mr. ILSLEY: Just a second. I think that can be explained.

*By the Chairman:*

Q. Where he would owe this would be those extra hours he took on that job; he could not do work on another job and earn additional money.—A. Yes.

Q. In other words, he lost 50 hours there?—A. The man lost time, yes.

*By Mr. Sommerville:*

Q. The manufacturer didn't lose any, did not pay an increased amount?—

A. No, he did not; he paid \$40 for the job.

*By Mr. Young:*

Q. Now, Mr. Kerr, you said that labour was the easiest thing to cut. Has there been any cut in the price of material?—A. I presume they rather consider the material at a fixed cost, which I say, so far as competition is concerned, they presume that they would all pay pretty much the same price, whether manufactured in Toronto, Stratford, Hanover or Owen Sound.



Q. As the prices of furniture are down, and as the wages are down, what has happened to the price of your raw material, your upholstering, your springs and your lumber? Has it come down very much?—A. Some of it.

Q. Has it come down in the same proportion as wages?—A. I am inclined to think not; at the present time I think it is going up.

Q. Will you tell me where you get your raw material; is it imported? Do you use Canadian lumber or imported lumber?—A. Not very much imported but veneers and so forth.

Q. Your coverings, what about them?—A. Coverings? Considerable of them are made right in the city of Stratford and the city of Woodstock.

Q. Not much of them imported?—A. Some, probably. I think the Canada Year Book will give you exactly the importation in the furniture trade.

Q. I suppose all made in Canada?—A. Yes; considerable amounts are made, some of them right in the city of Stratford.

Q. You cannot give us any figure to show whether the price of that material has come down or not?—A. I have not, not with me. I have, yes; of course that is not the angle I was to deal with when instructed by your chairman.

Q. We can probably get that from somebody else later on. You do not know anything about their overhead?—A. Yes, I do. I related instances. I can show you in one case, yes. Do you want overhead on that one article?

Q. Or in general?—A. I would not be expected to give you that.

*By Mr. Edwards:*

Q. Do you state that overhead is figured on a certain percentage on labour costs? Is not that the way it is done?—A. The entire costs.

The CHAIRMAN: He does not know that.

The WITNESS: Yes, I do.

Mr. EDWARDS: That is not so.

Mr. SOMMERVILLE: We will get that from the manufacturers.

The WITNESS: They will apportion a certain amount of labour costs, material costs,—the usual practice is 70 or 80 per cent on the actual labour cost.

Mr. EDWARDS: In many instances, more than that.

The WITNESS: I mean, I am just quoting these figures.

The CHAIRMAN: Are there any more questions, gentlemen?

Mr. FACTOR: What is the program for to-morrow, Mr. Chairman?

The CHAIRMAN: We have one witness. You are discharged, Mr. Kerr, and thank you very much for coming.

The WITNESS: It was a pleasure.

The CHAIRMAN: There is one witness from Alberta, Mr. Frawley, who desires to leave, and we would like to have him to-morrow morning. His evidence will not take very long. I circulated among the committee a memorandum that he submitted, or a brief, outlining the practice in Alberta.

Mr. ILSLEY: In regard to the retail stores?

The CHAIRMAN: He is a member of the Attorney General's department for the province of Alberta. He is going away and I think it would be very useful from the committee's point of view to hear him explain the system they are applying in Alberta in administering some phases of retail control.

Mr. KENNEDY (*Peace River*): Milk.

The CHAIRMAN: Milk, and some system they have in regard to bankruptcy applications.

Mr. FACTOR: Debt adjustments.

The CHAIRMAN: Administration of assignments, and so forth. We will meet to-morrow morning at 11 o'clock.

Committee adjourned at six o'clock to meet Friday, March 2, 1934, at 11 o'clock.

HOUSE OF COMMONS, ROOM 368,

March 2, 1934.

The special committee appointed to inquire into price spreads and mass buying met at 11 o'clock a.m., the Hon. H. H. Stevens, presiding.

Mr. Norman Sommerville, K.C., of Toronto, appeared as counsel for the committee.

The CHAIRMAN: Order, gentlemen. The minutes of yesterday's meeting record merely the presence of the witnesses, the passing of certain formal resolutions and filing of exhibits. Unless there are any questions, we will declare the minutes approved.

The purpose of the meeting this morning is to hear Mr. Frawley, of Edmonton, Alberta. Mr. Frawley is, if I remember rightly, a member of the Attorney General's Department of the Province of Alberta.

JAMES JOSEPH FRAWLEY, called and sworn.

*By Mr. Sommerville:*

Q. Mr. Frawley, you are associated with the Attorney General's Department of the Province of Alberta?—A. I am.

Q. And you have had some experience in the problem of actual milk distribution in the Province of Alberta?—A. That is right.

Q. Will you just give to the committee, please, the background that resulted in your making certain investigations into that distribution?—A. Yes.

Q. And the findings of that investigating committee?—A. Yes. It was thought, Mr. Chairman, that the experiment in our province with price fixing of milk might be of some interest to your committee; and if I only arouse some interest and some curiosity, then I will have discharged my function; and any further information you may want to get arising out of that curiosity, of course may be got on the ground from the Board of Public Utility Commissioners, under whose jurisdiction milk is now handled. Since the first of July, 1933, milk has been under the control of the public utilities commission. The statute is chapter 18 of the Statutes of Alberta, 1933, and it is an act to amend the Public Utilities Act of 1923. Perhaps you would like to have this copy of the statute. (Exhibit No. 22.)

*By Mr. Senn:*

Q. Do you refer to fluid milk or all the milk produced?—A. The market milk, the fluid milk. This statute was brought about largely, I might say, arising out of an investigation which was conducted by a small fact finding committee appointed by the Alberta government, of which I was chairman. The other members of the committee were the provincial dairy commissioner and the professor of animal husbandry at the University of Alberta. We went up and down the province investigating conditions in the production and distribution of milk. We found, of course, just about the same facts as were disclosed in the very exhaustive inquiry which was conducted here last year, and therefore I need not worry or labour you with the conditions that we found.

*By Mr. Sommerville:*

Q. May I ask if you made a report?—A. Yes, we made a report.

Q. May we have a copy of it?—A. I have not got that report. That was a confidential report to the Minister of Agriculture, purely a departmental matter, and I have not got it. The economic conditions which prevailed were, of course, as I say, the usual ones which existed all over Canada. The falling prices of farm produce in 1930, 1931, and 1932, had caused farmers who had been butter-fat producers to go into the production of whole milk, which is technically designed as market milk, and they did that, of course, on an ever increasing scale. The surplus which was in that way created had a very unfavourable reaction upon the prices which the large city distributor could pay. The large city distributor is a sort of common carrier for the milk of the producers in the district surrounding the metropolitan centres of Calgary and Edmonton in our province; and with all the surplus coming in, of course they had to reduce prices because there is a fairly limited outlet for that surplus. We have, of course, in our province, no condensery, so there is a fairly limited outlet for the surplus. In addition to that, it was found that the producers who had been shippers to large plants, began to distribute their own milk, coming into the cities of Calgary and Edmonton on small rounds, and selling milk at prices below what the large and properly established distributors could sell milk at.

*By Mr. Senn:*

Q. You have no pasteurization?—A. No compulsory pasteurization; when that exists, as in the city of Saskatoon, then some of these problems disappear. Perhaps they have others to make up for it. I might say, perhaps by way of interruption, that we cannot claim to be exclusive in this business of price fixing in the milk business. The city of Winnipeg shares the distinction, or otherwise, with the province of Alberta in that respect. As a matter of fact, it is quite fair to say that in Winnipeg it was in existence and we largely followed—we went to Winnipeg and discussed the matter there with Mr. Cottingham, and we pretty well took over his legislation when we started.

These people came in, and as I say, cut prices of the large distributors, and it had reached a very serious situation. It was created in the cities of Calgary and Edmonton in the distribution of milk at the time our committee was seeking out these facts. It was pointed out to us that there was danger to the continuity of supply if this ruinous competition were allowed to continue; because they said, and with some force, that as a more or less surplus milk price was being paid to the producer who shipped to the plant, that the producer would in time be forced out of production. It is fair to say that there was plenty of production, and that situation may not have arisen just at once, but certainly the theory was there, and it was a sound one. Then the evil of the chain store selling of milk was brought to our attention as well. There are two chain store organizations in the city of Calgary, and one in the city of Edmonton; and it was alleged to us that one at least of these organizations was taking advantage of the demoralized distribution and was selling milk at a low price, largely to attract other customers to its stores.

*By Mr. Factor:*

Q. What do you mean by chain stores?—A. Are they stores dealing exclusively in milk?—A. No.

Q. Departmental stores?

*By Mr. Sommerville:*

Q. Food stores.—A. General food stores, Mr. Factor. The practice of selling milk, or any other commodity, for that matter, at a low price to attract



other custom is sometimes—and perhaps properly so—referred to in distributing circles as the use of loss leaders. At the time our committee was beginning its inquiries—

*By Mr. Factor:*

Q. You mean the milk is used as a loss leader?—A. Milk was used as a loss leader.

Q. A loss leader in these chain food stores?—A. Yes, that is right. When we were conducting our inquiry, this particular system of stores was selling regularly at two cents under the wagon price, at one to two cents under the prices of other small stores, and at times were going so far—

*By Mr. Young:*

Q. You say wagon price; that means delivered price?—A. Yes.

Q. Delivered to the door?—A. Delivered to the door, commonly called the wagon price.

*By Mr. Sommerville:*

Q. Two cents a quart under?—A. Yes, two cents a quart; and one to two cents under what other small stores were selling for; and from time to time virtually giving milk away in conjunction with other sales, such as fruit—I want to be guarded now, I don't know what other commodities they used—but they did do that.

*By Mr. Factor:*

Q. Give them away freely?—A. Yes, give them away—well, that is a figure of speech; they either give them away or sell at a loss price.

*By Mr. Sommerville:*

Q. Do you mean that the process is this, that if you bought say a dollar's worth of goods, you got a bottle of milk?—A. Yes.

Q. For two cents?—A. Yes. I wish I had got the particulars of that, but they are very easily available. I think they used breakfast food a lot.

Q. Perhaps on your return, you could have someone furnish the committee with the information?—A. Very glad to do that.

Q. By the way, Mr. Frawley, the Alberta retail merchants propose presenting their case to this committee a week from to-day, and if you could get into communication with them and ask them to have that material available, it will supplement this.—A. I will ask Mr. McKay.

Q. Thank you.—A. Let me say just this in connection with the loss leaders, that public utility control of milk has entirely eliminated the loss leader in the merchandising of milk in Alberta, because our price fixing orders specifically prohibit it, and there has been none here directly our orders came into effect.

*By Mr. Factor:*

Q. Will you elaborate on the term "public utility control"?—A. Yes. This is what we did—and perhaps I should explain that the statute proceeded at once to amend the definition of utility in our general utility act by adding these words: "Public utility includes any plant, premises, equipment, service or organization for the production, processing, handling, bottling, distribution, supply, delivery, keeping for sale or the sale of milk, including products thereof in a liquid form." Then the board is given other powers. Having got milk as a public utility, then the act proceeds to give the board jurisdiction to do certain things.

*By Mr. Senn:*

Q. You read that over rather rapidly; is that broad enough to include the farmer distributor?—A. Yes.

*By Mr. Sommerville:*

Q. Production and distribution?—A. "Any plant, premises, equipment, service or organization for the production, processing, handling, bottling, distribution, supply, delivery, keeping for sale of the sale of milk." It is practically, word for word, the Manitoba definition.

Q. And it really was aimed at the farmer distributor—perhaps not aimed at him, but it was really brought about through competition of the farmer?—A. Perhaps the immediate cause was the pedlar who came in selling his milk at cut rate prices.

*By Mr. Kennedy (Winnipeg):*

Q. In fixing your price of milk, was there one fixed price for the wagon and not for the chain stores or was there any latitude?—A. What I thought I would do was file two orders now in existence, the Calgary order and the Edmonton order. I thought I would keep them for a moment, because I might have to refer to them. They very fully set out the prices; it is all divided up into schedules, and when I come to that I will glance through the order with you. Dealing with the set-up, as a result of legislation the board was given jurisdiction to hold hearings, and to prescribe—after having heard the evidence and come to some conclusion, they were then empowered to prescribe the areas wherein their regulations would have effect; and I may say at the moment there are only orders in the cities of Calgary and Edmonton. There are applications pending from Lethbridge and perhaps from Medicine Hat; but in any event, at the moment there are only orders in Calgary and Edmonton.

Then, they have power to require all persons who produce and distribute and keep for sale and sell, to have a licence. I may say at once that is something which the board has not yet done, but speaking for the chairman of the board, perhaps—I have been counsel to the board in connection with milk since this legislation—I think very, very likely there will be a system of licensing set up. If I might elaborate on that, the reason for it is this: otherwise we are left to prosecuting for infractions in the police court. If we have a licensing system, we can accomplish much more, and not be subject to the temperament of magistrates. We can simply withhold their licence, if we have good reason.

*By the Chairman:*

Q. You have power to license?—A. Yes, we have power to license. And I might say this year the act is being strengthened somewhat, to give the board a little better power in connection with licences, refusing licences.

*By Mr. Factor:*

Q. That is a provincial licence?—A. Entirely provincial.

Q. Do they require a municipal licence?—A. That is to enable them to sell milk at all. They have to have a municipal licence. That directs itself entirely to a public health matter.

Q. Now they would have to obtain two licences, a municipal and provincial?—A. Quite. Ours would be the public utility licence you can call it, if you like just a remark now under the power to fix rates; probably if I read this particular paragraph, because it is perhaps the central feature of the legislation; it will be better. It reads: "That the board shall have power to make regulations, notwithstanding anything herein contained, to approve or

establish from time to time schedules of minimum rates at which milk shall be supplied by the respective classes having regard primarily to the interests of the public and to the continuity and quality of supply, and in so proceeding the board shall not be bound by any rule of law or public utility practice to see that any rate of return is provided on any plant, equipment or investment in excess of the actual value thereof for the time being."

The Board of Public Utilities in Alberta had hearings in the summer of 1933 in the cities of Calgary and Edmonton and they promulgated orders shortly following conclusion of those hearings; and taking the Calgary order, which seems to be a little better drawn than the other one, the conditions that it provides, briefly going through it, are as follows: First, the price to the producer of \$1.95 per 100 pounds, that is 3·6 butter fat standard. That is what he gets for his sweet milk. Then, of course, he is faced with taking a surplus price for everything that is not used as sweet milk.

*By Mr. Heaps:*

Q. Might I ask what the butter fat content is to the consumer?—A. It varies. The distributors have been elaborating somewhat. They are putting out 3·6 milk; they are putting out jersey milk; they are putting out 5 per cent homogenized milk, and putting out a special nursery milk; but it is paid for on the basis of 3·6, and everything that tests above that is paid for accordingly.

Q. What I wanted to find out was what the consumer gets, 3·3 or 3·6 or what?—A. It depends on what he pays for it. If he pays 10 cents, he gets 3·6 or 3·7 milk; if he pays a little more he will get jersey milk, 5·2, and so on.

*By Mr. Senn:*

Q. Are those rates set by the board?—A. Yes, I am reading from the order of the board, this board's order fixing that rate, and they are departed from under penalty on violation of the board's order, of course. The next classification is prices to be charged by distributors and stores; and we find that the wagon price for milk, following upon \$1.95 per 100 pounds to the farmer, is 10 cents a quart and 6 cents a pint; that is the wagon delivery price.

*By Mr. Factor:*

Q. 3·6 butter fat?—A. 3·6.

*By the Chairman:*

Q. What is that again, the price?—A. 10 cents a quart and 6 cents a pint.

*By Mr. Young:*

Q. Bottled, I suppose?—A. Bottled and delivered on the doorstep. Jersey milk is 12 cents a quart and 7 cents a pint; nursery milk is 12 cents a quart and 7 cents a pint.

The next classification is prices to the stores from the plant. What we started, and are still doing, we scaled down the price, having in mind what the store uses, and what that means to us. When the average daily sales of a store do not amount to 10 quarts, then he shall pay not less than the wagon price, that is to the distributor. To stores whose average daily sales amount to not less than 10 quarts and up to 30 quarts, they pay 9 cents per quart and 5 cents per pint. What he sells for is his own business. Our rates are minimum rates. I am going to cover minimum prices for you in a moment. To stores whose average daily sales are 30 quarts or more, they pay 8 cents per quart and 4½ cents a pint. Let me say at once that there is a case which is rather interesting; that in Edmonton—this is the Calgary order, it is a different thing altogether. The



store situation is not an evil there; there are no chain stores, or were no chain stores or any other kind of stores, as a matter of fact, cutting prices of milk. So in Edmonton, strangely enough, the price which the store charges is the wagon price throughout.

*By the Chairman:*

Q. Which is charged to the store?—A. No, it is charged by them.

Q. By the stores?—A. By the store to the consumer.

*By Mr. Sommerville:*

Q. In other words, there has been no price cutting by stores in Edmonton?—A. Even more than that. It seems that stores in Edmonton can charge more, and the people are satisfied. It raises an interesting question as to whether or not people should not pay more in stores because they have the accommodation of going at all hours of the day.

*By Mr. Senn:*

Q. Of course, those stores distribute; I suppose they really distribute the milk, don't they?—A. The store?

Q. Yes, it is carried out with their delivery order; people do not go and get it?—A. Of course, chain stores,—they all go and get it. That is something we considered when we were looking into it. Sometimes the corner grocery store will deliver milk. I think he just absorbs that delivery cost. Now then, the price of the stores to the consumer—dealing still with Calgary—the price of the stores to the consumers for milk sold by the store and carried away by the customer was the same as the wagon price, 9 cents per quart; so that they must charge not less than 9 cents per quart to the customer who comes into the store and takes it away with him. The milk delivered by the store to the customer must be not less than the wagon price. The cream prices there just varies with the milk price in a sense, but the prices are all fixed to the consumers; but if you are interested I will give you this, I will be glad to file these orders with the committee.

The CHAIRMAN: I wish you would please.

*By Mr. Sommerville:*

Q. Then the store and the wagons are to be on exactly the same basis as to the price delivered to the home.—A. That is right.

Q. These cash-and-carry system stores may sell for a minimum of 9 cents, but there can be no price cutting below 9 cents.—A. That is right.

Q. There can therefore be no loss leaders.—A. We do more than that, in our order we go further than that, we say, no sale or offer to sell milk, or agreement shall be made in combination with the sale of or the offer for sale of any other commodity; and there shall be no rebate on the price fixed by any order of the board; and that restriction, gentlemen, is not just on the rebate, but we say the giving of milk or cream, or any other commodity without charge, or the giving of tickets exchangeable for milk, cream, or any other commodities.

*By Mr. Factor:*

Q. Does that apply to restaurants?—A. No, we do not endeavour to fix the price to restaurants, or to fix the price which they shall charge. The fact is at the moment that we have only had to prosecute one distributor—some distributors are in the habit of selling twelve tickets for the price fixed by the board for ten, that is one difficulty we have met; and his solicitor pleaded that he was not selling twelve tickets, he was selling ten tickets and giving two tickets away. I am afraid the magistrate agreed with him, so we had to appeal.

*By Mr. Factor:*

Q. Were the penalties quite substantial?—A. You will find that in the copy of the Act which I have filed with the Committee, essentially the penalty is “shall be liable upon summary conviction therefore, to a penalty of not more than \$250 and costs for every day during which any product has been so sold by him.”

*By Mr. Kennedy (Winnipeg):*

Q. Have these orders been challenged in the courts?—A. Oh, yes, there is the case I was just speaking of a moment ago, where we had to prosecute one man and the magistrate seems to think he was right.

Q. Then the question of validity has not been raised?—A. The question of validity was raised in that case and also the constitutional aspects of the question.

*By Mr. Edwards:*

Q. It is presumably then within the right of the province to fix the retail selling price on this product?—A. When I say it is presumably I went so far as to read the Board of Commerce case (1922—1—A.L.—191) *re* validity Board of Commerce Act (9 and 10, Geo. 5, ch. 37); Combines and Fair Prices Act (9 and 10, Geo. 5, ch. 45). My opinion may not be worth very much but I have not much doubt that the province has the power to fix the price of milk, and for that matter anything else in the province.

Q. They found it very satisfactory to have honest prices, and to get rid of cut-throat prices?—A. That is our whole experiment, and much of the success of this experiment is the benefit of our experience in price fixing. Perhaps I could break in now to say that this passage was contained in the Speech from the Throne in the provincial legislature which opened on the 8th of February; after the formal recitals and the present state of the province, and proceeding with the indication of the proposed legislation the Speech from the Throne went on to say: My government will propose that the principle of this legislation be extended to other products and to the distribution of other commodities in order that unfair competition may be avoided, that prices to producers may be stabilized, that fair wages may be paid, and the price to the consumer may be maintained at a just and equitable level.

*By Mr. Factor:*

Q. You said that the validity of that Act had been challenged in the police court?—A. Yes, I did.

Q. What happened?—A. The magistrate disagreed with us and held that it was unconstitutional.

Q. Yes, I see?—A. But I will be guarded in what I say because there are many newspaper men behind me and I do not want to be given too much attention.

Q. Did you appeal that?—A. It is in appeal now: 24 hours after he did that it was in appeal.

*By Mr. Young:*

Q. Can you tell us how many quarts of milk there are in 100 pounds?—A. There is either 38·8 or 40, I think it is known as 38·8 principally; the small distributor calls it 40 but the big distributor, who buys a little more carefully, calls it 38·8.

*By Mr. Senn:*

Q. According to the excerpt you have just read from the speech from the throne, the object of this legislation is to regulate prices to the producer?—A. No, I think they go further, Mr. Senn, perhaps I should read it again; it says,



"My government will propose that the principle of this legislation be extended to other products and to the distribution of other commodities in order that unfair competition may be avoided, that prices to producers may be stabilized, that fair wages may be paid, and that the price to the consumers may be maintained at a just and equitable level."

Q. At least that is one of the provisions?—A. Yes.

Q. And I presume it regulates the amount of surplus milk that is to be paid for to the consumer; have you any jurisdiction over that?—A. The plants do, of course.

Q. Without any inspection?—A. At the moment without any interference by the board. I should perhaps say this, that recently the chairman of the board made a rather instructive address to the Alberta Dairymen's Association, or something of that sort, and he went into that; first he gave an account of his stewardship and he made the statement that the effect of the orders had been to give producers a considerably higher price for their products, although I am quite aware, he says, that some of the producers would tell you that they have not benefitted to any appreciable extent from these orders of the board; this board has investigated some of these complaints and I am convinced that in those cases the complaint has generally arisen by reason of the way in which the average surplus is arrived at; the method adopted by various distributing concerns in regard to determining this average vary and sometimes these methods are so complicated in their working out, that they are almost sure to give rise to dissatisfaction. It should be possible for a fair and reasonable method of arriving at these averages to be evolved by agreement between the interested parties, but if not, it will be just one more problem for the board to deal with.

I have no doubt that with our legislation we could send a technical man into the plant and study the question of surplus payment.

*By the Chairman:*

Q. Will you state briefly how it is now done at the plants?—A. I wonder if I should not retreat from that, Mr. Chairman, because it is very, very complicated. Put very, very roughly and generally, the farmer is paid city sweet price, \$1.95, for the milk that goes into the bottles to be distributed to the trade, and he is paid a surplus price for anything else which the distributor has to sell to the churning department, or to his buttermilk department, or to his cheese department. Now then, the manner in which this is arrived at is: the farmer brings in say 1,000 pounds of milk in a two-week period, and of that quantity 30 per cent would go into surplus and 70 per cent would get the higher rate.

*By Mr. Senn:*

Q. I beg your pardon, did you say his surplus would be 30 per cent?—A. I am just taking a hypothetical case for purposes of illustration, in this particular case it might run 30 per cent and 70 per cent. We have found cases where it was half and half. In some plants, in 1932, in some plants in Calgary and Edmonton.

*By Mr. Sommerville:*

Q. That is, before the legislation was passed, you found it running fifty-fifty?—A. Yes. The advantage of the legislation, I suppose, is that the evils of the cut-throat competition was reduced and as a consequence the large distributor could sell more milk, and then, of course, he could pay a bigger price on the city sweet, and that would give a higher price to the farmer.

*By Mr. Factor:*

Q. And if he sells more milk there is less surplus?—A. Yes, if he sells more, there is less surplus.



*By Mr. Senn:*

Q. Yes, Mr. Frawley; the great difficulty as shown by our investigation last year was the amount of milk the distributors took in for fluid purposes, and if they got too much milk, the percentage paid for as surplus would be greater. You say in your case it amounted to 30, 40, and in some cases, to 45 per cent? Have you any system of contracts there between the distributor and the producer?—A. No, it varies.

Q. I understand that the Province of Alberta has zones outside of which they do not take milk for distribution in points like Edmonton.—A. Yes, in Edmonton they have no zone, but I believe that principle applies.

*By Mr. Kennedy:*

Q. Might I get this point clear, have you any organized system for the supply of milk by the producer to the distributor.—A. None at all.

Q. That is left entirely to them.—A. Yes.

*By Mr. Senn:*

Q. Does not that nullify very largely the effect of the legislation, so far as the producer is concerned?—A. No, the producers have got to find some remedy for that. They should control their production of milk more. All of these multifarious questions come in to it. As I say, our board is just an experiment and I think it is a very successful experiment, but I do not think it has cured all the troubles in the milk business.

*By Mr. Sommerville:*

Q. It has not cured production problems, you are dealing only with distributing?—A. Largely, we have gone after it from the distribution end.

*By Mr. Boulanger:*

Q. You are of the opinion that there should be central shipping stations, I suppose?—A. Yes, that was talked about, we had hours and hours of evidence presented on that in our hearing. As I recall, he will be privileged to keep his surplus at home, but some of the distributors said they wanted that surplus to come in. They did not want the farmer to separate his milk, and sell it as cream in competition with the distributors, and I think our answer to that is that that can be solved by the provision of appropriate orders, and by their proper enforcement.

*By Mr. Senn:*

Q. Do you not think, after all, with a man selling fluid milk at a considerably advanced price as compared with the producer who sells to a cheese or butter factory, that you are building up a rather preferred class?—A. Well, we have heard that too, Mr. Senn, and I think undoubtedly, they are entitled to something more; how much more is the problem.

Q. I know, but within a definite area, how are you going to keep these bootleggers out of the market—that is what they are called, I believe.—A. By enforcing legislation. We have an inspector in Edmonton now, and also in Calgary, a full time inspector, who does nothing else but see to the enforcement of our orders by visiting producers, distributors, householders, plants and stores; and to the best of his ability, he sees to the enforcement of the board's orders. I think they are doing it very successfully.

Q. Then there are really two classes of farmers; one who happens to be able to sell milk to the distributor, and one who is outside of that.—A. Oh, yes, that distinction is there, of course; but the one has to maintain strict health conditions, and conform to requirements, which are more exacting than those required of the man who ships cream, he does not have to live up to them.

Q. And then with that man who has his stables under inspection, and who has to live up to sanitary regulations, and so on, do you exercise any control over where he sells his milk; you do not make it compulsory for the distributor to buy his milk?—A. No, he either sells his milk at the plant or he can get a little wagon and sell it himself; but he has got to sell his milk in conformity with the board's orders.

Q. He has to sell it at the board's prices, so long as he does that, there is no restriction?—A. No, so long as the board's orders are conformed to, it is open for everybody.

*By Mr. Sommerville:*

Q. What you have fixed is a fair price?—A. We brought the small peddler up, he was selling it at 8 cents, and we brought him up to 10 cents.

Q. May I just ask you at this point; having fixed a fair price for the sale of the commodity which meant a fair price for the merchant who handled it, that tended to ensure fair wages to those employed in that industry?—A. As a matter of fact the price we picked was the price as it then was, and we did not break any new ground in the matter of fixing those prices.

Q. Then, you prevented the bringing down of prices?—A. exactly. We stabilized what we had.

Q. And that meant that you prevented the breaking down of fair wages and fair conditions of trade?—A. Right, because at the big plant they are operating—I have no brief for anybody—you will understand that—but the big plant has certain employees to whom they pay certain wages, and they have to operate in competition with the man who has all of the work done—production, distribution and everything—by his family. Now, that is a problem, of course, and to meet that we simply insisted that the family producer and distributor brought his price up in fairness to everybody concerned.

Q. The family would benefit by that?—A. Yes, and I think I should say this, the reason for many of the orders issued by the board were to intervene to prevent the chaos, the ruinous prices, and the chain-store selling which was demoralizing distribution, and we had to frame our orders to meet those conditions at the outset. We are now making an audit in the plants of the distributors, we now have our auditors in one of the largest plants in Edmonton, perhaps the largest plant in Alberta, and a thorough audit in respect to that firm is practically completed. When we have all of these big plants properly audited, then we will know whether the orders we have made go far enough, or if they go too far. In time the board will have completed these audits, and then they can revise their regulations more intelligently than we were able to at the outset, when we were fixing these orders.

*By Mr. Senn:*

Q. But at the present time you do not exercise any control over the amount of surplus milk?—A. In all fairness to the board, and in answer to that question, I should say that the chairman of the board is a vigorous man, he has the government behind him, and I think undoubtedly, if this surplus continues to give dissatisfaction, that he will put a man in these plants, and set up an arbitrary system.

Q. Have you producers' associations there?—A. Yes.

Q. Do they co-operate with the distributors?—A. They carry on negotiations about this surplus.

Q. They have no say about the setting of prices, you don't take them into consideration?—A. I should say we do. The producers as well as the distributors, appear there at the hearings of the board.



Q. The board, then, is really a board of arbitration between the distributors and the producers, particularly with regard to the setting of prices?—A. Well, I can only say it is a public utility board, and it follows the practice of public utility boards.

Q. That is really what the committee on agriculture and colonization recommended last year, was it not?—A. Your committee?

Q. Yes.—A. That there should be public utility control.

Mr. SOMMERVILLE: A board of control between producers' associations and distributors in cases of disagreement with respect to prices. I think the sense of the committee rather contemplated regulations through an organization similar to the grain board.

The WITNESS: You mean a provincial board?

Mr. SOMMERVILLE: No, a dominion board.

Mr. SENN: No, it was to be a provincial board; it was a board to be appointed by the provinces, I have not got a copy of that report here.

The WITNESS: Mr. Kennedy got this report for me, and I find this at page 562 of the Journals of the House of Commons, Vol. LXXI, 1932-33: "Producer's Share of the Consumer's Dollar; the matter of a just share of the consumer's dollar as it relates to the distributor and the producer, is important to the conduct of the milk business. That each should receive a just share as a remuneration for his efforts is recognized, having due regard to the consumer's interest."

"Our investigation has thrown considerable light upon this problem, in as much as it shows conclusively that the producer's share has decreased very substantially during recent years.

"Such evidence as was directed to the point leads your Committee to the conclusion that the producer is not receiving an equitable share of the money paid for milk by the consumer.

"The milk distribution business is made possible by the industry and investment of the primary producer and it is the opinion of the Committee that the primary producer is entitled, at least to a much greater share in the ultimate proceeds of the sale of this product."

*By Mr. Factor:*

Q. I notice that your Act makes provision for legislation being extended to the prices of other commodities as well?—A. Yes, Mr. Factor, that has not been made use of to date, and it is a matter of speculation as to what form the extension would take. The reference in the Speech from the Throne as to the form it will take just mentions other products; beyond that I am not in a position to make any statement at the moment.

Q. But you will have this legislation, which entitles you to control the price of practically any commodity?—A. Limited though to the condition precedent, which is very definite: "Upon it being made to appear to the Lieutenant Governor in Council that any food products grown, produced, processed or manufactured in Alberta is being offered for sale by retail in Alberta, at a price so low as to be calculated to jeopardize the continuity of sufficiency of the supply thereof, or to embarrass the legitimate operations of persons engaged in the production, processing, manufacturing, or distribution thereof." I mean, there is a condition precedent there and it is therefore limited by that.

Q. If that condition prevails, you have legislation which enables you to control prices within that restricted area.—A. An order in council may be made by the Alberta government directing the board to take on that extra work.



*By Mr. Sommerville:*

Q. As long as business proceeds in legitimate channels and shows no unfair tendencies, you do not interfere.—A. That is right.

Q. But when those unfair tactics appear—A. Yes.

Q.—and they are likely to interfere with continuity of supply or the activities of those engaged in the business, you interfere?—A. Yes.

Q. Or, rather, you have the power to interfere?—A. And I think this is the situation which was found when the board was set up in the spring of 1933.

Q. After a full inquiry you adjudicate upon its primary principles, and when you have found those conditions do exist, the board acts, under its orders?—A. Yes.

*By Mr. Factor:*

Q. Up to date you have only utilized it in the milk industry?—A. Yes.

*By Mr. Edwards:*

Q. In those commodities, I presume you refer entirely to farm products. You say manufactured products in some cases, something like manufactured farm products, flour or something like that.—A. Yes.

Q. That is right?—A. Yes.

Q. Not a general manufacturer?—A. No. This section, which has never been utilized, was directed primarily to the control of the sale of those kinds of food products, "grown, produced, processed, or manufactured in Alberta." That is all.

*By Mr. Sommerville:*

Q. Sold in Alberta, of course.—A. "And offered for sale by retail in Alberta at a price so low as to demoralize—" and so on.

*By Mr. Kennedy (Winnipeg):*

Q. I should like to touch upon this further point. In the event of a farmer having a large surplus of milk available, for distribution, would you suggest your board contemplates controlling that production?—A. No. It might make an order that something more than what is being paid now for that surplus be paid, something more than the premium over the butter fat price; that is about all.

Q. They do not contemplate controlling who shall produce milk or who shall not?—A. The answer is that the power by legislation is given them to do that. One of the powers given to the board is: "to require all persons to produce, distribute, keep for sale or sell milk in any such area to be authorized by the board so to do, and to fix the terms and conditions upon which such authorization may be obtained."

Q. I want to get that clear. You suggest then, that your board has, under that legislation, power to say to a farmer who shall produce milk and who shall not?—A. I do not want to go too far. There is the section. It is a question of what it means, how far we can go.

Q. This is not a legal argument. I do not want a legal argument. I want to know if that is what your board had in contemplation?—A. The board has never gone into that.

Q. Is that what the legislature had in mind?—A. Then, it does become a legal argument. It might be said to go so far as to prohibit the production. We are getting into such large language there—

Q. It is very important?—A. It is important, quite. But it has never been done. That is my limitation; I do not want to get too far into the field of speculation.

*By Mr. Sommerville:*

Q. The principle, so far, has been not to interfere with the regular production?—A. That is true.

Q. Only to fix the price of purchase and price of resale?—A. That is true.

Q. If certain conditions that are vicious are found to exist?—A. Yes. I say, Mr. Sommerville, there are men producing milk now not economically; they are not getting rid of their poor cows. This is only an opinion; it may be that the board could do something about that, I do not know.

Q. I do not want to interfere with you in your procedure. Will you just proceed?—A. Perhaps I should just say this, and that is all. There has been another feature of milk and the sale of milk in Alberta, that is a problem; and representations have been made to the board with regard to this matter. I refer to the sale of tinned milk or canned milk. The board at the moment has not done anything about it, because they would have to resort to power under the subsection that has not yet been used; but I do wish to say something about it here, because it is a problem and it involves too, the question of chain stores.

Q. competition from canned milk, sir?—A. Competition from canned milk. Now, there were sold in 1933 in Alberta condensed, evaporated and powdered milk to the total of 219 cars, approximately 90,000 cases, 50 cars of which came from British Columbia, and the balance from eastern Canada.

*By the Chairman:*

Q. Did you say 50,000 cases?—A. 90,000 cases in 219 cars.

*By Mr. Senn:*

Q. Would that be used mostly in large centres of population or in lumber districts?—A. No doubt that a lot of it goes up to the north and used there.

Q. In the mines?—A. Yes.

*By the Chairman:*

Q. It is sold, of course, in the cities?—A. Sold right in the cities. I will just deal with that. This is really why I am mentioning it. I have some information here with regard to the price to the chain stores of this milk. It should be verified; it can easily be verified by this committee.

*By Mr. Sommerville:*

Q. The canned milk?—A. The canned milk. I am just dealing with canned milk to round out what I am saying. The factory price to chain stores per case of 48 tins of this milk is \$4.25 less 2 per cent, or 8 $\frac{2}{3}$  cents per tin. The wholesale price to an individual grocery store for resale is \$4.55 per case or about 9 $\frac{3}{4}$  cents per tin. Those are my own calculations; I think they are about right.

Q. \$4.55?—A. \$4.55, or about 9 $\frac{3}{4}$  cents per tin.

*By the Chairman:*

Q. 9 $\frac{3}{4}$  cents?—A. Yes.

Q. What was the other one?—A. 8 $\frac{2}{3}$  cents per tin.

*By Mr. Young:*

Q. Are these sold by the same party in each case? Does the same man supply the chain stores and the individual stores?—A. It is a milk company. I am referring to a brand of milk tinned somewhere near Vancouver, in the Fraser valley, I think. It is sold to the chain stores through a broker; it does not go through an ordinary jobber or warehouse, it goes through a broker.

Q. Do they sell to the individual storekeeper in the same way?—A. No, the individual storekeeper has got to buy it from the jobber.

Q. From the wholesaler?—A. From the wholesaler. He does not get the factory prices. On many occasions in Calgary, chain stores and department stores have advertised and sold 3 tins of this milk for a quarter.

*By Mr. Factor:*

Q. Cost price?—A. That is  $8\frac{1}{3}$  cents per tin, or in other words, one-third of a cent below their own costs and almost  $1\frac{1}{2}$  cents below the small stores cost.

*By Mr. Young:*

Q. Regular prices?—A. No. I have seen one—one was given to me the other day in Calgary, milk eleven, which is probably eleven cents. That is, I suppose about ruining prices.

Q. That is a loss leader?—A. That is a loss leader. Now, there is an example of it here that I want to bring to your attention. It is really worse than that. On the 10th instant, in Calgary, one of the leading departmental stores advertised 4 tins for 31 cents.

*By the Chairman:*

Q. The 10th ultimo?—A. 10th January—10th February, this is March now.

*By Mr. Factor:*

Q. Four for 31?—A. Four for 31, or one cent under the cost, at least, that I have given you. Now, as I say, I want to be guarded. These costs are given to me, and they are reliable, or I would not give them here, but they should be checked.

*By Mr. Factor:*

Q. Do you know how much the department store paid for that particular shipment that they sold at 4 tins for 31 cents?—A. No, I certainly do not.

Q. In any event, they must have paid less than  $8\frac{2}{3}$  cents.—A. Or more, Mr. Factor; I do not know anything about that.

*By Mr. Sommerville:*

Q. Your figures are based on very large purchases?—A. It is \$4.25 per case, less 2 per cent; of course, that is a large purchase.

*By Mr. Factor:*

Q. You think that is the lowest price it could be purchased at?—A. The lowest that my informant gave to me; the only one he gave to me, and he got it from a very reliable source, he assured me.

*By Mr. Young:*

Q. What is the source, the seller or the buyer; somebody else told him?—A. Yes.

The CHAIRMAN: Mr. Frawley, I think, has been very frank. He tells us he does not know this of his own personal knowledge. He states we can check it up; but he suggests from his experience and contact that that is a very common thing. Many business men, of course, know a thing without being able definitely to prove it. I think we can accept his word, and we will re-check this by an examination of the factory.

Mr. FACTOR: No one is doubting Mr. Frawley.

The WITNESS: No, but I have limitations, and I want you to appreciate them.



*By Mr. Senn:*

Q. Do you think that the canned milk trade is growing?—A. I would not venture an opinion about that, Mr. Senn. Let me complete it, when something is serious, it depends on what you mean when you say "serious". To illustrate this practice of using this canned milk as a loss leader, I have here an advertisement in the *Calgary Daily Herald* of Friday, January 5, 1934 (Exhibit No. 23), where this milk was advertised at three tall tins for 13 cents with the purchase of one pound of a certain brand of chain store tea at 37 cents. You can make your own calculations and it works out at considerably less than 8½ cents per tin.

*By Mr. Factor:*

Q. Loss leader?—A. Loss leader.

*By Mr. Young:*

Q. Which was he giving away, the milk or the tea?

Mr. EDWARDS: You cannot buy that tea at any other store.

The WITNESS: You cannot buy that tea at any other store.

*By Mr. Factor:*

Q. Was that a department or a chain store?—A. Chain, food store. Now then, I went a little further, or at least the people who are interested in this, and they broke down and analyzed that price in the light of the milk which they are selling, ordinary fresh market milk, and I would be glad to file this with the committee (Exhibit No. 24). It is a calculation, I presume, made by one of his technicians, and the result is that 2.6 quarts of milk, or what would amount to 2.6 quarts of milk, are being sold for 13 cents or 5 cents a quart; and the board's order is in Calgary, 9 cents.

Q. Is that a common occurrence in food stores?—A. Now, I am certainly going to say I do not know, Mr. Factor. It is given to me as an instance. You can take that for what it is worth. It might never have happened before, and may never happen again.

Q. It is more or less a form of advertising?—A. Surely.

The CHAIRMAN: It is well known that frequently milk has been used in the way that Mr. Frawley has described. It is quite common. I think we can take his evidence as indicating what is carried on in many cities; because I myself personally know of many instances such as this.

The WITNESS: The point I want to make is, we stopped it as far as ordinary market milk was concerned, but we cannot without taking further legislative powers, do anything with it.

*By Mr. Sommerville:*

Q. You say you have stopped it so far as raw milk is concerned?—A. Fluid milk.

Q. But you cannot?—A. Not under the present legislation.

Q. You cannot stop the canned milk at this competitive rate?

*By Mr. Factor:*

Q. Why; does not that clause 3 cover it?—A. I was going to say—

Q. Does that clause not give you authority?—A. Including the product from any local farm.

*By Mr. Sommerville:*

Q. It may be powdered milk?—A. Ordinary evaporated milk is local; it is condensed down to a small tin, about six inches high.

*By Mr. Factor:*

Q. I mean, the general clause, clause 3 gives you authority to regulate anything that is sold?—A. Three?

Q. Yes.—A. This particular product is made in British Columbia.

Q. You are talking about the province of Alberta, coming from there?—A. Yes. We have no condensed milk at all, but our canned powdered milk comes in from some other province. This present legislation is limited to what is produced, processed, manufactured in Alberta; but of course, as a matter of legislative validity, I do not suppose that we are bound by any such restriction as that. I think we could control sale by retail in Alberta of this milk even though it does come in from British Columbia.

Q. But you have not done so?—A. No.

Q. Why?—A. Well—I read you the speech from the throne, and you know what it said.

The CHAIRMAN: I think they have made pretty good progress for one year.

Mr. FACTOR: We are all going to do a lot of things these days.

*By Mr. Young:*

Q. How much milk is in these tins?—A. Here is the whole thing broken down and analysed. He says there are 2·6 quarts of milk in one of these tins.

*By Mr. Senn:*

Q. Has it the average butter-fat content?—A. It is guaranteed, yes. It contains guaranteed test of 7·8 per cent butter fat. My information does not permit me to say—

*By the Chairman:*

Q. What did you mean when you said in your evidence that there were 2·6 quarts of milk in the tin?—A. In the 3 tins that are sold for 13 cents.

Q. In the unit that was sold?—A. In the unit that was sold. Thank you very much. This has been worked out by this man at 5 cents a quart. I just want to say this. I do not know what question—

*By Mr. Young:*

Q. Just a moment, at that point. Is that what they put in the tin? Is that what was condensed to go in the tin, 2·6 quarts? They could not put 2·6 quarts into those tins?—A. No; they are little tins, evaporated milk.

Q. They have to add water to make it work out to that amount, to arrive at the same amount of milk as there was before?—A. Naturally he added water and so on.

Q. When sufficient water is added to those three tins to bring them back to the first content, 2·6 quarts, it is palatable, good milk?—A. I would not drink it.

The CHAIRMAN: It is excellent; I have lived on it for years. Of course it is good stuff.

Mr. YOUNG: Is it as good as fresh milk?

The CHAIRMAN: If you are familiar with it, you would just as soon have it as fresh milk. It is excellent stuff. I have used it for years.

The WITNESS: It is a good product, no question about that.

*By Mr. Young:*

Q. I am not speaking about the desirability of it. People use it as well as fresh milk?—A. It depends on the individual.

The CHAIRMAN: It is a question of taste.

The WITNESS: Yes.

The CHAIRMAN: It is very often prescribed by doctors to infants.

Mr. FACTOR: Mr. Spotton says he uses condensed milk too.

The CHAIRMAN: There is an advertisement.

The WITNESS: Now, I think I should say that my present information does not enable me to say to what extent the practice of using canned milk that we have been talking about as a loss leader has increased since the Utility Board's orders were made prohibiting the use of market milk as a leader, but there have been representations made to the board, and that is all I will say. I do not want to make any accusations at all.

*By Mr. Sommerville:*

Q. There have been instances recently?—A. Quite.

Q. Since the board's orders have been made?—A. Quite.

*By Mr. Factor:*

Q. February 10th?—A. No, January. Now, then, concluding, I think it can fairly be said that the public utility control of milk in Alberta has received the general approval of the various branches of the industry concerned.

*By the Chairman:*

Q. You are fairly well satisfied with the experiment?—A. That is a very good way to put it, Mr. Chairman.

*By Mr. Young:*

Q. What do you do with your skim milk product?

The CHAIRMAN: Feed it to hogs.

The WITNESS: Sell it back to the farmer at about—I cannot carry that in my mind.

*By Mr. Senn:*

Q. Do you regulate prices at all of the by-products, Mr. Frawley?—A. I have not heard of an endeavour to do that. You say "by-products"?

Q. I mean offal and skim milk.—A. No, we have not, but we could do that very easily. It does not bulk large in the business. One distributor in Calgary started to sell out his skim milk—he was selling at about 4 cents a quart, if I remember—.

Q. There is butter milk.—A. I think butter milk is in the board's order; here, it is right here.

*By Mr. Young:*

Q. What about this man trying to sell skim milk?—A. I think he stopped it.

Q. Why; there is nothing against him selling it?—A. No.

Q. You do not forbid it?—A. No.

*By Mr. Kennedy (Winnipeg):*

Q. Will you clear up that point for me? In connection with the milk that is treated as surplus milk, paid for at a different price, does your board control in any way or determine in any way what will be treated as surplus milk and what will not, in other words?—A. No.

Q. In other words, here are two producers of milk in a community delivering milk to the distributor. It is left to that distributor to bargain with them



as to what portion of their milk will be paid for as surplus milk and what otherwise is it?—A. Yes, perhaps it is, but it is uniform; the practice is a uniform practice to all people who ship.

Q. Yes, I know, but your board does not control that?—A. At the moment, no.

Q. Prior to the introduction of your legislation in Alberta, did the producers have what might be called a producers' association, in the attempt to stabilize prices?—A. Yes, and still going strong.

Q. Still?—A. Yes, it has not interfered with—it has not taken over the function of the producer, as I said. My opinion—and it is not for me to say—but I think a great deal can be done by a strong producers' organization in regulating production.

Q. Was it the practice for the producers' association to have discussions with the distributors fixing a price, what would be paid for the milk?—A. Yes, a seasonal practice.

Q. And still is done?—A. Yes—no, the board now comes and says that shall be the practice.

*By Mr. Young:*

Q. You pay \$1.95, or at least your order requires that you pay the farmer \$1.95 per 100 pounds which figures out at about 5 cents a quart, and the retail price is 10 cents a quart; you never looked into the spread there, did you, to see whether that is a fair spread?—A. We have spent many long hours going into the question of spreads. The policy the board adopted, being required to make an order, was to stabilize the existing conditions; and as I said before, now a thorough-going audit of distributors is being made under the direction of the principal auditors' office. These reports are being filed with the board, and as I say, gradually more or less intelligent orders—I use that word for want of a better one—will be made with respect to this question of spread. But perhaps it is fair to say from what reports the board has got in from the audit, and they only affect one side, there is no profiteering going on. I think it is fair to say that.

*By Mr. Sommerville:*

Q. And in the public hearings that precede the fixing of any order; I observe that your legislation provides that the amount of return to the distributor shall be based upon the then existing value of his building, and not upon any previously set capital structure of the company?—A. That is right; and perhaps if I just simply say, or refer to what the chairman of the board said about that matter—

Q. May I just ask, after your reference would you be good enough to let us have a copy of the chairman's address, because there may be matters of interest in it?—A. Yes. It was a very good speech. I don't think he would mind my giving it to you at all, Mr. Sommerville.

He says that about this: "The board is not bound to see that any rate of return is provided on any plant in excess of the actual value thereof for the time being. It would appear therefore that for the purpose of this particular part of the act—meaning as distinguished from this general body in which they fix telephone rates, gas and water rates, but under the particular part of the act—the board will have to follow rather the principle of reproduction costs less depreciation and not prudent investments."

*By Mr. Factor:*

Q. You have not really investigated the spread of prices between the producer and the distributor?—A. Oh, it would not be fair to say that. We have investigated. We have questioned thoroughly distributor after distributor and

we have had the benefit of counsel for the consumer, counsel for the distributor, all through, inquiring into this question of spread.

Q. And your conclusions are arrived at that the spread between 5 and 10 cents a quart is a reasonable one?

Mr. SOMMERVILLE: It was not between 5 and 10 cents.

The WITNESS: That is commonly called the spread; the price paid to the producer per quart, and the price paid off the wagon, that is referred to commonly as the spread, for want of a better term.

*By Mr. Factor:*

Q. There is the difference; 5 cents a quart for the producer and 10 cents wagon price.

Mr. EDWARDS: What about the surplus?

*By Mr. Factor:*

Q. What about the producer?—A. The producer does not get 5 cents a quart for all his milk. Oh, no; that depends on the surplus again. But you asked me whether we are satisfied that is a fair spread. I might say again the orders of the board were made as of necessity to stabilize the chaotic situation, and not until all these audits, thorough audits, are submitted to the board, will we be able to say definitely if it is fair spread.

*By Mr. Kennedy (Winnipeg):*

Q. Would you care to express an opinion as to just how this legislation has worked out from the producers' view? Has it stabilized production, or tended to stabilize it?—A. Well, I think that if the secretary of the producers' association were here, he would say that the legislation has been of benefit to the producer; but with still great surplus in the plants. As Judge Carpenter has said to this convention, he hears complaints that the board's order has not increased prices or has not bothered, and he says when he investigates this case he finds it is a case of this great surplus that is going on, because after all he is levelled off in his fortnightly pay cheque; he is levelled off considerably by virtue of the price that is paid to him for his surplus milk, and if it is then running 50 per cent or more, it is going to bring it down below.

Q. It is a very interesting experiment from the producer's point of view?—A. Yes.

Q. In your view, has that improved the price generally that is existing for his products, because if it is so working out, it is a very important piece of legislation?—A. Yes. I think in fairness, if to no one else by myself, I should say that in the speech from the throne again the statement was made—I wish I had taken that part of it; it is downstairs in the committee journal—

Q. If you will allow me to interrupt, I would be much more interested in your view than what is contained in any speech from the throne?—A. Well, all right then. I think I would say that it has been a benefit to the producer, yes. I was going to talk about Mr. Cottingham; I would rather that he spoke for himself. He was in eastern Canada until yesterday, and it would be well if Mr. Cottingham could have come and talked to you.

*By Mr. Senn:*

Q. You exercise no audit whatever over the amount paid for at the contract price and what is paid for at the surplus price by the distributors?—A. We know we can go in and check up these fortnightly returns.

Q. That is to say, if a distributor is selling so much milk on the street as fluid milk, does the amount that he pays to the farmer for it correspond with what he is buying?—A. There is no question about that. I would not say there is the slightest question about that.



*By Mr. Sommerville:*

Q. That would be deliberate fraud?—A. That would be deliberate fraud.

Q. Of the board's orders?—A. And deliberate fraud of the producer; and we have never had any suggestion but that everything that goes into bottles for the retail trade or the wholesale trade, sold for fluid milk, that the producer is paid his full sweet price for that; no question about that.

*By Mr. Kennedy (Peace River):*

Q. You have not gone into the question as to whether or not the present prices provide a reasonable return to the producer on his investment, from the standpoint of investment and labour and so on?—A. Let me say this, that we heard a good deal of evidence on producers' costs, and we got as close to it as I think it is possible; it is a very difficult question, I need not say; but the price that we fixed of \$1.95, certainly seemed to the board to be a price which did take into account the reasonable costs of the producer.

*By Mr. Senn:*

Q. Is that \$1.95 laid down at the distribution plant?—A. It depends on whether they sell themselves or not. That is the price, of course, at the plant.

Q. That is the plant price?—A. Yes.

*By Mr. Heaps:*

Q. What was the date when this fixed price came into effect?—A. The board's order, August 9, 1933.

Q. Could you say whether, in the meantime, from the ninth of August until the present time, there has been any change in the production or consumption of milk; that is, the amount of milk that is being used?—A. I would be very glad—I could get those figures very easily. I personally, am not prepared to say, but those figures could be obtained; if they are not available at Ottawa, they could be sent down by the commission.

*By Mr. Kennedy (Winnipeg):*

Q. I presume these fixed prices are subject to change from time to time on application?—A. Oh, yes. I think there has been a change, as a matter of fact.

Q. This is relevant to the question of Mr. Kennedy of Peace River: in arriving at the price, you do take into consideration the cost of production, because if you come into a dry season with a limited grass supply, you will probably have an application for increased prices.—A. Yes. There is a difference in Calgary and Edmonton. The producers get a different price in Edmonton than they do in Calgary, a different situation, drier in climate.

*By Mr. Heaps:*

Q. Does the increase in the price of milk in any way tend to decrease the consumption, as far as you know?—A. That is a question. The fear was expressed to the board that by increasing the price beyond what it had been, it would decrease the consumption. I think it is fair to say that it has not.

*By Mr. Young:*

Q. I suppose your principal competitor is canned milk?—A. I would not like to give too much importance to the canned milk. I really don't know.

Q. If you raised your price, would people buy more canned milk?—A. I think they would be driven to canned milk.

Q. And if you lowered it, they would buy less canned milk?—A. I think so.



Q. Generally speaking the more of your milk you sell and the higher you charge, the more they will pay in British Columbia or eastern Canada?—A. That is true. The board's business is to have in mind the consumer and producer.

*By Mr. Sommerville:*

Q. The lowest producer gets the worst price in the country?—A. I think that is right.

*By Mr. Young:*

Q. The regulating feature is the price of canned milk, then?—A. Oh, no, that canned milk is just sort of a sore thumb, more or less. It will be dealt with.

Q. The price canned milk sells for really does not affect the situation?—A. I think many distributors would right up and tell you that it did, and get very hostile about selling three tall tins of milk for 13 cents. No doubt the distributor would submit to you a full answer about that.

*By Mr. Factor:*

Q. I am still puzzled on the spread. I want to check those figures; the price to the producer of \$1.95 per 100; that figures out about 5 cents a quart, is that right, using 38·8 quarts?—A. Using 38·8, yes.

Q. The price of the distributors, the wagon price is 10 cents per quart?—A. That is right.

Q. That is double?—A. Well, that is Calgary, using the Calgary order.

Q. I cannot get into my head this difference between 10 and 5 cents; why is there such a spread, between 5 cents a quart and 10 cents a quart?—A. Well, I don't know. Now you are getting into speculation. There are too many distributors is one reason.

Q. I would ask you to develop that; that is a very important thing.—A. I could discuss it with you at some length privately, and tell you what I think. I have heard about all these things; one big thing is duplication of distribution, having five wagons on one block in the morning and that sort of thing.

*By Mr. Sommerville:*

Q. Cost of distribution?—A. Cost of distribution.

*By Mr. Factor:*

Q. Let us have a little light on it—we will just discuss it—what your opinion is?—A. I think that is one large thing; that the cost of distribution takes too much, the cost of delivery; the cost of just even delivering takes too much of that 10 cents.

*By Mr. Heaps:*

Q. Is there bottling too; pasteurizing?—A. All that. One thing I would be glad to do, I would be glad to send you down from Edmonton the figures that were submitted at our hearing and laid down to decimals, showing what they paid for delivery, what they paid for bottling and pasteurizing.

*By Mr. Sommerville:*

Q. Would that be for breakage in bottles?—A. Yes, and how much for administration; that is something the distributor always counts.

*By Mr. Factor:*

Q. Would you get that?—A. Yes.

Q. That will account for some of the spread in price?—A. It will account for it.

Mr. SOMMERVILLE: It will break down the whole spread and tell us where it is.

*By Mr. Young:*

Q. Then at the same time, how much you lose through loss or breakage of bottles, bottles not being returned?—A. I would take a typical distributor and I will give you that basis.

Mr. SENN: That was entered into fully in the investigation last year before the agricultural committee, and it is all on file.

The WITNESS: There is a thousand pages of very interesting reading there.

*By Mr. Boulanger:*

Q. The orders which you have filed do not deal with the price of butter?—A. No.

Q. Or cream or ice cream?—A. No. It is what is called market milk, that is fluid milk sold by the trade as milk.

Q. I do not suppose you could tell us the spread between the price of factory butter and the retail price?—A. I am very happy to say I do not know anything about it at all.

*By Mr. Young:*

Q. Do you contemplate issuing orders authorizing this one to sell milk and that one not to, the producers?—A. The situation might develop where that would be required by way of revoking licences.

Mr. SOMMERVILLE: That would be by way of breach?

Mr. YOUNG: No, because there was too much coming on the market.

The WITNESS: If the board has power to revoke licences or cancel licences, I think you could say for any reason you thought sufficient.

*By Mr. Young:*

Q. If there was too much milk on the market you might find it necessary to say to a certain producer, "You quit."—A. That means for their own benefit, I suppose.

*By Mr. Senn:*

Q. Did you ever make any study of the British system at the present time?—A. The control?

Q. Control, pooling of all profits from butter and cheese and fluid milk.—A. No, I don't know anything about it. I am told it is very useful, that it would repay study.

The CHAIRMAN: Is there anything else you wish to ask Mr. Frawley?

*By Mr. Sommerville:*

Q. There was another matter on which you were going to speak to the committee while you were here, was there not?—A. Well, Mr. Sommerville, I did just mention very, very sketchily with the Chairman the matter of the slaughter sales of bankrupt stocks. I don't want you to think I am a Doctor Jekyll and Mr. Hyde, but there is a piece of legislation in Alberta called the Debt Adjustment Act, which relates primarily to farmers, but which contains part two, a separate part, which relates to retail merchants, and I have the very questionable distinction of being official referee under part two of the Debt Adjustment Act. That is a piece of legislation which has, of course, no validity whatever if it comes into direct conflict with the Bankruptcy Act, but as long as it does not come into direct conflict with the Bankruptcy Act we have been able to do, and we think we are doing a lot of good to the small retail merchant who finds himself crowded by his creditors—perhaps creditors

who do not understand, creditors who live in eastern Canada and out of the province and are somewhat unfamiliar, perhaps, with the situation. So we have, for some time been endeavouring, with more or less success, to keep the props under these retail merchants when they have an enormous amount of money out in the country owing by farmers which they cannot collect at all. As a result of that work, I have come in contact with some of these retail bankruptcies and as I say, I do not want to draw any conclusions; that is why I would rather say that I have not been able to obtain enough information on slaughter sales of bankrupt stocks to really warrant my saying much to you. There is an old saying that one swallow does not make a summer. So the problem—we have it here, we have it in Alberta; I suppose you can see much more in eastern Canada.

*By Mr. Factor:*

Q. A depression problem?—A. A depression problem.

*By Mr. Sommerville:*

Q. That is bankruptcy?—A. Yes.

Q. It is not one of these ordinary loss leader sales?—A. No—well, it is connected with loss leader sales in this instance, the case I have in mind, which is where a departmental store bought up a large bankrupt stock of a druggist who had failed, and put the stock in on the shelves at cut rate prices. But that is going on all the time.

Mr. BOULANGER: Ten cents on the dollar.

The WITNESS: The strange thing about that is, it happened that a man buying this stock of a dispensing druggist at very little on the dollar, started up again as a dispensing druggist.

Mr. FACTOR: Ought to have the creditor of that druggist given that information?

The WITNESS: There are a thousand things enter into that.

Committee adjourned at 12.20 p.m., to meet on Wednesday, March 7, at 11 a.m.





HOUSE OF COMMONS, ROOM 368,

WEDNESDAY, March 7, 1934

The special committee appointed to inquire into price spreads and mass buying met at 11 o'clock a.m., the Hon. H. H. Stevens presiding.

Mr. Norman Sommerville, K.C., of Toronto, appeared as counsel for the committee.

The CHAIRMAN: The first witness to-day is Mr. J. S. McLean of Toronto, whom it will be recalled wired me as Chairman of the Committee the other day, and in that telegram he took exception to certain statements made by Mr. Laver in the evidence he gave before this committee on the previous day, and in that wire Mr. McLean—and, by the way, that wire was read before the committee and published in the records—, said: "I also respectfully request the opportunity at the earliest possible date of putting the facts officially before the committee"; and to reply to the statement by Mr. Laver regarding the employment by Canada Packers of two persons whom it was alleged were also on relief in the city of Toronto, among some 41 others. Will Mr. McLean please come forward.

Mr. J. S. McLEAN, called and sworn.

The CHAIRMAN: Gentlemen, may I just suggest again, you have been very good and have cooperated very well in the past, that you let the witness make his statement and let the counsel of the committee get the matter as clear on the record as we can; and, within reasonable bounds, possibly we could reserve our questioning of Mr. McLean until that is done. There is no disposition to cut off questions at all, but if we would try to observe that practice as well as we possibly could, I think it would be better for the record.

*By Mr. Sommerville:*

Q. Mr. McLean, you desire to make a statement to the committee, with respect to a matter referred to by Mr. Laver?—A. Well, I judge, sir, that my evidence to-day—that you would wish to-day to hear from me in respect to more than this. It is true that I am here, that I requested an opportunity of giving evidence in regard to these two cases.

*By the Chairman:*

Q. Do I understand, Mr. McLean, that there is something in addition to that you wish to say?—A. The whole live-stock industry is involved in this, and the packing industry.

Q. Well, Mr. McLean, perhaps for the purpose of clarity of record we should dispose of this matter regarding wages first, and then we should be very glad to hear your statement, and to hear it as fully as you like, of the general situation; although I would point out to you it was not part of our program to commence that particular examination just now?—A. I misunderstood that; I sent word to you, as you know, that I would like to get away on vacation, and I would like to cover that matter as well.

Q. We might be able to accommodate you, but first we will clean up this matter of the employees to which reference was made by Mr. Laver?—A. Then, shall I go on, sir.

Q. Go ahead, Mr. McLean?—A. I have before me and have read carefully the reports of this committee, which include—this number is number 2 of February 27—and the first case reported in Mr. Laver's evidence—. I may say that I knew nothing of the fact that Mr. Laver would mention my firm until I saw his evidence, or the report of his evidence that appeared in the Toronto papers the morning following. I immediately called Mr. Laver and told him that I was satisfied that the statements he had made in regard to the employees of Canada Packers were entirely without foundation, and asked him for the names of the two employees to whom his evidence referred. He replied that he could not give me the names, and although I pressed very hard, and said that I felt entitled to the names as a matter of right, I did not get them from him; so, following that, I wired Mr. Stevens, as he has mentioned. Twice since then I have called Mr. Laver's office and pressed him to give these names, and each time I have been refused. On Saturday of last week, two auditors came to our office with a letter from yourself, Mr. Sommerville, asking me that they be given access to our wage records, and they have been there for several days. Now the record of Mr. Laver's evidence, these are the statements and they are just a few and I think it will not take long for me to give you those to which I take exception. On page 60 there is a question:

“Are these 41 persons that are on relief on full time pay?”; and the answer was,

A. In every instance but one.

Q. So that you have 40 of the 41 on full time pay?—A. Yes. Then on page 62,

Q. By the way, these 41 cases are illustrations that you have prepared by request?

The answer to that I do not quite understand, it is “Just”; I presume that means yes, or exactly.

On page 63;

A. No. I cannot answer your question, Mr. Factor, except to say this: that we have verified from the firms the statements these employees make:

Q. Did you verify any of those circumstances?—A. They are all verified.

Q. Was there any reason given by the employer?—A. None.

Now, in regard to these statements which were selected from Mr. Laver's evidence, I wish to say, first, that Mr. Laver at no time called Canada Packers to verify the statements in regard to Canada Packers' employees.

*By Mr. Factor:*

Q. Pardon me, Mr. McLean, but I do not think Mr. Laver suggested they were verified by the employers, he said that they were verified by declaration of the employee?—A. I misunderstood it, if that is the explanation. I can give you the page if you wish to refer to it, or I can easily read it; I have no thought but that the meaning he intended was the one that I read into it. I cannot answer your question, Mr. Factor, except to say this, they said: “That we have verified from the firm the statements those employees make.” However, that is what I take the meaning to be. Now, the two employees—I might say that Mr. Stevens yesterday at my request gave me the names of these two employees so that I have looked them up—the two employees in question were Mr. Blank, and Mrs. Blank.



*By Mr. Sommerville:*

Q. Perhaps you had better not name them?—A. I don't see how I am going to get along without naming them, Mr. Sommerville.

Q. My reason for that suggestion, Mr. McLean, is that it has been the policy of all the authorities connected with relief not to publish the names of persons who are on relief, and that is the reason, I understand, why Mr. Laver took the position that he could not disclose to you the names of any persons on relief; and now they having been given to you for purposes of verifying, this committee has not got the names, as they were not put in evidence; my suggestion to you is that one of them is a man and the other is a woman, and if you will refer to them just in that general way, you will have answered the statement made by Mr. Laver, without subjecting those persons to the publicity which would be involved in naming them as individuals?—A. I acquiesce in that gladly; I would only suggest that if the same delicacy had been observed in respect to the firms involved, I think it would have been better.

Q. Well, that is your opinion, Mr. McLean?—A. That is my opinion; I think when I have finished with this evidence, you will feel it is justified.

Q. Now the first case is that of a man, is it not?—A. Yes, on page 69; here is the evidence in regard to the man.

Q. What is the next?—A. Canada Packers, full time employee, \$10.50 per week.

Now I have that man's name, as I said from Mr. Stevens, and these are the facts in regard to that man; he is a shipper in the provision room, aged 25, married; he has been 7 years with Canada Packers; his average wages, or his rate per hour, was 40 cents in 1933—his rate up until October was 37 cents, and in October, it was raised to 40 cents.

*By Mr. Factor:*

Q. That is the rate per hour?—A. That is the rate per hour—40 cents.

*By Mr. Sommerville:*

Q. Up to what time?—A. It was 37 cents up to October, and from October forward, 40 cents. The average wages which that man drew throughout the whole year 1933 were \$17.75 per week; and for the first three weeks in 1934, the first three weeks of January 1934, his wages were about the same; I have not got the exact figures, although I have the sheets here so I can give you any information you wish.

Mr. FACTOR: Pardon me, Mr. Sommerville, but have you copies of the affidavit this man made?

Mr. SOMMERVILLE: Yes, I think we have. (Affidavit produced and passed to Mr. Factor for his perusal).

*By Mr. Sommerville:*

Q. Will you go ahead, please?—A. If you wish me to go ahead I may say that these sheets that I have here are the records from our pay office, showing the wages week by week. They go back for two years. Now, for the first three weeks of this year, this man drew \$17.46, \$19.90, and \$13. The explanation of the low rate in the third week is the fact that he was off voluntarily for a day and a half and his wages for that week were \$13. Now, at the end of the third week it became necessary for us to reduce the gang in which that man was working, he was working in the production shipping gang, and on account of the very marked advance in the price of hogs which has taken place recently, the domestic sales of provisions have fallen off about 20 per

cent; that made it necessary to reduce that gang because their work was cut down about 20 per cent. The foreman of the gang let out the only single man who was on the gang, and it was necessary to let out two men, so he had to let out one married man and this was the man whom he chose. Before letting him out, or either of them out, the time of these two men was reduced for two weeks, and during these two weeks, the man in question drew \$6.80, and \$9.90; and at the end of that week, that is the week of February 1, the man was let off. That was on January 27, he was let off, and on January 31 he applied to the city for relief.

*By Mr. Factor:*

Q. What was that date?—A. January 31, I am speaking from memory—I have it here, but I think that is a correct statement—he applied to the city for relief and as the basis for relief is a statement of wages, he was asked to give his wages, and he gave his statement to me, which I have signed, as this; that he made the statement that during the last two weeks he had drawn \$10.50, but he explained that that was on broken time; and, of course, that was the correct explanation. He had worked only seventeen hours one week, and twenty-four hours the following week; so that he made the statement of \$10.50. As a matter of fact his actual wages for these two weeks was not \$10.50, but \$9.90; and he was put on relief for one week and drew relief for only one week. On the following Monday, a week from the day on which he had been let out, he was given employment. Our employment man sent for him and gave him a job on the painting gang. At this season of the year we repaint, we do a great deal of painting on our plant; it is the spring house cleaning and a gang of about ten men is put on this rough painting; they do not need to be painters. And the job lasts for four or five weeks. That man was put on that job, has been on that job for weeks, and is still on it. On that work he draws labourers' wages, 33 cents an hour. One of the reasons why the foreman selected this man was that his wife also works for Canada Packers, and has worked for Canada Packers for four years. I have her pay sheet here, too. Throughout last year, the year 1933, his wife drew an average of \$11.50. I think that is right—no, \$13. Throughout the whole of 1933 this man's wife drew an average of \$13, and he drew an average of \$17.75, a total of \$30.75. The man is emphatic that he made no statement that \$10.50 was for full time. He says that his statement was clearly that \$10.50 was for broken time.

Mr. FACTOR: The declaration does not say full time at all.

Mr. SOMMERVILLE: The declaration says \$10.50 per week.

Mr. FACTOR: It does not say full time.

Mr. SOMMERVILLE: It just says what his earnings are.

Mr. YOUNG: The papers said full time.

Mr. SENN: At the time he applied for relief he was not employed.

Mr. SOMMERVILLE: At the time he applied for relief.

*By Mr. Sommerville:*

Q. At the time he applied for relief, then, Mr. McLean, do I understand that he was not employed by Canada Packers?—A. Yes.

Q. And three weeks previously he had drawn \$10.50?—A. \$9.90 actually.

Q. From your company?—A. Yes.

Q. Was he maintaining his family at that time, or were they living separate, maintaining separate homes?—A. No, he and his wife both worked in the plant and they have no children.

Q. Were they maintaining separate homes?—A. No.

Q. Do you know that?—A. I do not know; I do not think so.



Q. So that for the three weeks previously to the time he went on relief his earnings with you had been \$9.90?—A. Yes.

Q. On how many days of the week did he work at Canada Packers to earn \$9.90?—A. I do not know.

Q. You do not know that?—A. No.

Q. What is the system by which these men are paid? Do they come in in the morning and punch the clock?—A. Yes.

Q. And when they leave at the close of the day they punch the clock?—A. Yes.

Q. And is their pay cheque made out on the basis of the time between the punching of the clock going in and the punching of the clock going out?—A. For the most part it is; but the actual record of the time is checked, and is taken, if there is a difference, from the foreman's book, wages book—each foreman has a wages book.

Q. Is it not a fact that you do not pay on the time clock record of men's time?—A. Well, where there is a divergence, a disparity, where they do not agree, that is the punching of the clock—the men might come in at half past six and not go to work until seven. We check all the punches, all the time sheets by the foreman's book, and I might add that all the men very carefully keep a careful record of their own time.

*By Mr. Factor:*

Q. What happens if he comes in at half past six and does not start work until eleven?—A. Well, I do not suppose that does happen in actual facts; but he would be paid at eleven o'clock because it would be revealed on the foreman's book.

Q. In other words, he is standing by from half past six until eleven waiting for work?—A. Well, no, he is not standing by; I do not suppose that would actually happen in practice.

*By Mr. Sommerville:*

Q. As a matter of fact, Mr. McLean, the man is paid for the exact time he is engaged upon the job?—A. Yes.

Q. He is not paid for the time that he is on the premises?—A. No.

Q. He is not paid—A. There is no great disparity in the time.

Q. I beg your pardon?—A. There is no great disparity in the time.

Q. He is not, at any rate, paid from eight o'clock in the morning until five o'clock at night?—A. No, except in the markets; in the city markets they are paid a weekly wage.

Q. We are talking about the plant generally?—A. No.

Q. Your system, then, is that when the men come in in the morning and punch the clock their time does not begin until they are called in, or until they begin to work on the particular job?—A. Yes.

MR. FACTOR: Who keeps a record of the second period?

*By Mr. Sommerville:*

Q. Who keeps a record of the time at which the men commence on the actual job?—A. The foreman on the job.

Q. And the man commences on the instructions of the foreman?—A. Well, yes.

Q. So that in his own time he waits in your waiting room until such time as the work is ready to proceed?—A. Well, ordinarily, a man just arrives in time for his work and goes to his work and that is all there is about it.



Q. Are there not many many instances in which a man has to wait until the cattle or the hogs or the live stock are there for him to commence his operations?—A. Well, it may happen and probably does happen. I know nothing of that. You spoke to me about it in Toronto yesterday. I have not had time to investigate it. I do not think it is a large factor in this.

Q. My reason for asking that, Mr. McLean, is this: a partial report has been forwarded to me from the auditor, and I just wanted to know whether or not this was the practice; that the men are paid only from the time they commence their work and when they finish their work?—A. The time they are actually working in their places would be possible, of course.

*By Mr. Heaps:*

Q. Is not your plant open at fixed hours during the day, or is it open 24 hours of the day?

*By Mr. Sommerville:*

Q. Mr. McLean, you answer Mr. Heaps.—A. Well, it is not open—there are some operations they actually do at night. For instance, we do a great deal of shipping at night. There is no other work that goes on at night.

*By Mr. Heaps:*

Q. What are the fixed hours of the plant?—A. Ordinarily you might say that except for slight exceptions it opens at seven and generally closes about 4.30, with the exception of shipping, which has to carry on.

Q. What is the regular working week of the employees?—A. From 7 to 4.30, 48-hour week, 6 hours or 8 hours for five days.

*By Mr. Factor:*

Q. Have you a schedule of wages there?—A. I am not just sure.

*By Mr. Heaps:*

Q. The salary you have mentioned of 37 cents an hour to a man is on the basis of a 48-hour week?—A. Yes.

Q. In the ordinary factory they have a fixed hour basis of from 7 to 5, an 8-hour day. I was wondering if there was any divergence from that system in your plant?—A. No, most of our departments—or our practice would be exactly that. The manufacturing department and the killing departments could not do that because one has to depend on the arrival of the stock from the markets.

Q. If an employee comes in when the factory opens at 7 and he has nothing to do until 8.30, his time does not commence until 8.30 in the morning?—A. No.

*By Mr. Sommerville:*

Q. In other words, he is waiting there in his own time at his own expense?—A. I think—

Q. To commence operations for the company; is that not so, Mr. McLean?—A. Yes—I do not know but what you might have more information about that than I have; but my answer to that would be this; that the men in the killing gangs, which are the working gangs, are told each day on what time to report the following day.

Q. If they report on the following day at the time they are told, are they paid from the time that they are told to report?—A. No.

Q. Or are they paid for the time that they actually commence work?—  
A. Paid for the time they work.

Q. And during the week that may aggregate quite a few hours of waiting for work to begin after they are told to come in?—A. Well, I cannot tell you about that, because I never heard the point mentioned; so that I cannot think that it is very important, until you mentioned it to me yesterday.

Q. The report that has been sent to me indicates that there are eight men who are employed on beef killing, casing, beef killing, pork cutting, offal trimming, and the actual time paid these men, as you see, was  $36\frac{3}{4}$  hours in that week, and the elapsed time, according to the clock was  $46\frac{1}{4}$  hours, making a discrepancy of  $9\frac{1}{2}$  hours in that week?—A. Yes.

Q. The second man's time for which he was paid was 22 hours, and the elapsed time was  $30\frac{3}{4}$  hours, making a discrepancy of  $8\frac{3}{4}$  hours; and the man was paid for 22 of the  $30\frac{3}{4}$  hours the sum of \$8.80. The next man was paid for 44 hours, and the elapsed time by the clock was  $49\frac{1}{2}$  hours. His discrepancy was  $5\frac{1}{2}$  hours. The next man's time was  $36\frac{1}{2}$  hours for which he was paid, and his elapsed time was  $41\frac{3}{4}$  hours, making a discrepancy of  $5\frac{1}{4}$  hours. The next man was paid for  $41\frac{1}{2}$  hours; his elapsed time was  $48\frac{1}{4}$  hours; and his discrepancy in hours was  $6\frac{3}{4}$ . The next man was paid for  $28\frac{3}{4}$  hours, his elapsed time was  $35\frac{1}{2}$  hours, and the discrepancy was  $6\frac{3}{4}$  hours. The next man was paid for  $35\frac{1}{2}$  hours; his elapsed time was 41 hours, and his discrepancy  $9\frac{1}{2}$  hours. The next man was paid for 35 hours; his elapsed time was  $46\frac{1}{2}$  hours, and his discrepancy was  $11\frac{1}{2}$  hours. In other words during that week the discrepancy in the hours of those eight men—when I refer to discrepancy in hours I mean the difference between what they were paid for and what the time clock check showed—was 63 hours. Are you aware that that runs all through your plant? Is that the way in which the system works out through your plant?—A. I should say my answer to that is, I am aware that it does not. It could only occur in regard to certain gangs, I should think. But I should think, Mr. Sommerville, that I do not wish to say too much about this because I never heard the point mentioned until you mentioned it to me yesterday.

*By Mr. Factor:*

Q. Therefore it may be showing the same unfairness in the whole system?—A. Now, I would rather that there was nothing said in regard to unfairness on the part of Canada Packers to its employees until you see that you get all the facts; because that is what I am complaining about in regard to the first day. These auditors came to Canada Packers on Saturday morning. They came with a letter from you. I asked them what the name was of those two employees who had been referred to here. They said they could not tell me.

MR. SOMMERVILLE: I did not have it myself; I told you that.

THE WITNESS: It seems funny to me. At any rate, that is what happened. These auditors were there all day Saturday, all day Sunday, all day Monday. They did not ask us for any information about what was going on. If they had asked us this question, we could have looked into it on the spot. I have no doubt we could have given you—I certainly would have been able to give you very much more complete information than I am able to give you now.

*By Mr. Factor:*

Q. Do you dispute the records of your factory?—A. I don't know. All I say now is this: if there is any practice of wasting, if there is any wasting of men's time, there, it is a thing that I have not been aware of. And I admit that if there is wasting of time on any scale such as those indicated, which I doubt, because it is eight men out of 1,200, remember that—

Q. Well,—A. Just a moment. If there is any such waste, I will see that it is corrected at once. I cannot think it is very serious or I would have heard of it before this. I am quite satisfied that the employees of Canada Packers have confidence in the management of Canada Packers, and are confident in their wish to treat them fairly.

*By Mr. Heaps:*

Q. Are your employees organized, Mr. McLean?—A. They have—they are not members of any international union, no.

Q. Are they members of any organized union?—A. Well, it is a kind of haphazard one, Mr. Heaps. Whenever there are, at various times, conditions in the plant which are under consideration and we ask for a committee to be appointed, the committee is elected by the employees, and from time to time at certain periods, adjustments are made, and that committee is active and then it lapses. It happens at the present time that we are in a period of lapse. That is not, in any sense, by reason of any wish expressed or felt on the part of the management.

Q. How often do you meet the employees to discuss wages and labour conditions?—A. Well, the superintendent and the foremen—they are a matter of constant discussion.

Mr. FACTOR: Are these eight men all in one department, or in different departments?

Mr. SOMMERVILLE: Different departments.

The CHAIRMAN: I think we had better let counsel proceed.

*By Mr. Sommerville:*

Q. Mr. McLean, we have had this subject brought to the attention of the committee from another angle and that is why it is necessary for us to pursue it. I point this out to you. Here is a case of a man in the plant working 7 successive days, or every day for some time, at any rate, and the total time paid was 26 hours, although his elapsed time was 30 hours. For that time he was paid \$8.05. The next man worked there 6 days, and the total time paid him was 22 hours; his elapsed time by the clock was 33½ hours and he received \$8.80. The next man was paid for 28¾ hours in the six days he worked and his elapsed time was 38 hours. His wage was \$9.90?—A. How many of these have you?

Q. This is a sample sheet?—A. How many? You see, you are implying this is a very general condition. Now, I do not know whether it is or not, but I do know this—

Q. Well, I am suggesting that this is what is supplied to us as a cross section through a number of different departments?—A. Well, it is not a cross section through a number of different departments at all, I can assure you of that.

Q. You had better let me give you some of these departments, and when I finish it you will see. The next man was paid for 31½ hours and his elapsed time was 43.57. He was paid \$10.40. This is a woman that is next. The woman in question in this case, who was there 6 days, was paid for 33½ hours, and the elapsed time was 37.43. The amount paid was \$8.40. This man that you refer to here in the smoke meat department in this particular week, which is the week ending March 1st, was there 6 days, his elapsed time was 48 hours—that is a full week, is it not?—A. Yes.

Q. And he was paid for 43 hours, getting \$14.20. These are the various departments: shipping department, sausage packing department, offal trimming, cooler department, pork cutting department, and repair man. Then, we have



the beef killing department, casing department, beef killing department, and so on. These are the various departments referred to in this cross section?—

A. How many are there altogether?

Q. Eighteen; this is only a sample sheet, I understand?—A. What do you mean by that?

Q. That indicates the system that is followed, that the men check in at a certain time when they are paid only from the time they commence work?—A. Mr. Sommerville, I would like to say this again, that I am not aware of this condition; that the way in which you asked these questions and the implication of these facts—your stating it is a cross section indicates or seems to imply that that is a universal practice in Canada Packers. If it is, it is very surprising that I have not heard of it before; because as I said before, I am quite sure that the employees of Canada Packers have confidence in the wish of the management to be fair to them; and if there is any unfair treatment to the employees I think we would have heard of it. I suggest that it could have been very much more satisfactorily dealt with if your inspectors, who were up there three days, had raised some of the special points and let us discuss them on the spot. I am not able to do it now, and I say that the implications that you are attaching to this are just the same as the statements—the wrong statements and implications that were attached to the previous evidence in regard to our wages.

Q. Mr. McLean—A. I would like to finish, if you don't mind. I think Canada Packers is a fair employer. We seek to pay the highest wages that are paid in our industry. Since the depression there has been one decrease in wages which was put into effect in December and January, 1931 and 1932.

*By Mr. Young:*

Q. What percentage?—A. The average was about 10 per cent. There were some special cases that were reduced more than that, men who were pensioners and that sort of thing, but in the main it was 10 per cent.

*By Mr. Factor:*

Q. That does not help us to solve the particular problem that we have on our hands?—A. Wait a minute, now; all I wish to say is this: I am not disputing any complaint where 1,200 people are employed. It is inevitable that there will be inequalities and even injustices. I think that any injustice that there may be in this is a minor one, because if it had been a major one I would have heard of it. What I am saying is that any implication that the employees of Canada Packers are not treated with consideration and fairness is very unjust, and that we have suffered from that charge and I do not wish us to suffer from it again.

*By Mr. Kennedy (Peace River):*

Q. How do you account for this statement in the telegram which you sent: "Without names I cannot specifically refute Mr. Laver's charges but I feel sure his statements are quite without foundation; the lowest wage which a regular male employee at Canada Packers, Toronto, can draw a full time week is sixteen dollars and eighty cents"?—A. That is quite correct.

Q. That is 48 hours?—A. That is 48 hours.

Q. Is it not fair you should inquire into the case of men where quite evidently they have no chance to get full time?—A. I cannot have expressed myself clearly or you would not say that. I am quite willing to inquire into the conditions, but there is no point in asking me questions about things I

know nothing of. If, Mr. Sommerville, you send an inspector up there again, I will spend as much time as he wishes going into the conditions, and I am quite certain that between us we will subscribe to the same statement of facts and send them down to you.

*By Mr. Factor:*

Q. You have already admitted that the men get paid only from the time that they commence work?—A. Yes.

Q. And this simply illustrates in figures what has actually happened?—A. Yes.

Q. And this is a sample case?—A. I don't know—if these facts can be proved they are right.

*By Mr. Young:*

Q. What we want to get at is how much money these men are earning. Can you tell us the total number of men you have employed in your factory, the total wages paid for the year, and then we can get the average earnings?—A. I cannot tell you that; I can get it for you by wire.

MR. SOMMERVILLE: I think I can give it to you, Mr. McLean. The average number of persons employed from December 1st, 1933, to March 1st, 1934, at the St. Clair avenue plant is approximately 1,239, including foremen. The average wage paid weekly to these 1,239 employees is \$17.20, including the wages paid to foremen.

Q. That is the position, is it not, Mr. McLean?—A. I do not know.

Q. I thought you had made some inquiries before sending your wire in?—A. No, I made the statement in regard to our female employees.

Q. What I am asking now, and relative to that, is whether under your system while the plant may be open 48 hours in the week and while persons may be on the premises 48 hours in the week, is it not a fact they may only be paid for 43 hours because they are working there just 43 hours?—A. I have already stated that.

Q. If that is so, take the case of a woman who is drawing 25 cents an hour—I think that is the wage which the lady was drawing that is in question—if this was for a 48 hour week, if she was working 48 hours, she would draw \$12, and if she was working for 43 hours out of the 48 during the week, she would be drawing \$10.50?—A. Yes.

Q. Although she might be on the premises the whole week, the 48 hours?—A. All of this implies that this is a very general system; and what I am saying is that, without having any definite information, I am sure it is not.

*By Mr. Edwards:*

Q. Mr. McLean, how else would you get at it, unless you did pay so much per hour?—A. I would like Mr. Sommerville to tell me. What would you suggest?

MR. SOMMERVILLE: Mr. McLean, I am not suggesting anything. We are hearing evidence.

MR. KENNEDY (*Peace River*): Let us get the facts.

The CHAIRMAN: May I interrupt for just one moment; this whole matter arises out of the evidence given by a witness, Mr. Laver. We did not know that Mr. Laver was going to give the evidence that he did. Mr. McLean promptly disputes that evidence and calls it into question, publicly repudiates it. In the short time that elapsed between that time and when Mr. McLean requested to be heard—he requested to be heard yesterday, but we could not arrange it because of the absence of the members of the committee, but we arranged it this



morning,—it has been possible for us to verify to a degree the evidence that Mr. Laver gave, the basis of it. Those are the facts upon which we are now questioning Mr. McLean.

The WITNESS: Mr. Stevens, there is no verification of any evidence that Mr. Laver gave. Every statement that he made is absolutely incorrect.

*By Mr. Sommerville:*

Q. Let us come to that; Mr. Laver's statement was that this gentleman, who was a shipper, swore before him that he was earning \$10.50 per week at the Canada Packers?—A. For full time.

Q. Well, that is his statement, that the man was earning \$10.50?—A. Wait a minute, that is Laver's statement, that the man swore that he was drawing \$10.50 for a full time week.

The CHAIRMAN: \$9.90.

Mr. FACTOR: At the time he applied for relief.

*By Mr. Sommerville:*

Q. At the time he applied for relief?—A. For the three weeks previous.

Q. For the three weeks previous he had earned \$9.90 per week?—A. Yes.

Q. And during those three weeks he had been at the plant each week, and had been paid for the time that he actually worked?—A. Yes.

Q. Do you know whether or not he was paid for the time shown by the clock as having been the time that he spent at the plant?—A. No, I don't. If your representative had asked me that yesterday, I could easily have found out.

*By Mr. Factor:*

Q. Have you a record there of this man's elapsed time and actually paid time?—A. I do know this, that I talked to that man after I got his name yesterday, and I have the facts here which I wrote down at his dictation and which he signed, and he made no mention whatever of this.

*By Mr. Sommerville:*

Q. Take the elapsed time of this man for the week ending March 1—

Mr. FACTOR: When you say "elapsed time" you mean unpaid time; is that not the better term to use?

Mr. SOMMERVILLE: No.

Mr. YOUNG: The time he was on the job.

*By Mr. Sommerville:*

Q. I am giving it to you this way, the elapsed time as shown by the time clock for that week was 48 hours and 58 minutes; that is his actual elapsed time on the premises. For that period he was paid for 43 hours according to the records, so that his deficiency according to the difference between the time clock and his pay time, was five hours, and he received for that week \$14.20 as the pay for 43 hours. What would he have received for 48 hours; what was the rate?—A. 33 cents; at that time he was working on the painting.

Q. That is \$1.65 more than he would have received for that week if he had been paid according to the time clock?—A. Yes. I very much doubt those figures for the reason that I was speaking to the man at 10 o'clock last night.

Q. Well, let me give you the figures. On February 28 he reported in at 6.43 and he left at 4.31—

The CHAIRMAN: That is 6.43 in the morning?



*By Mr. Sommerville:*

Q. Yes, 6.43 in the morning, and he left at 4.31 and was allowed for 8½ hours. On February 27, he checked in at 6.45 and left at 4.33, 8½ hours?—

A. Let us check up on that; remember, I am just trying to get information. 6.43, of course that would be 7 o'clock.

Q. 7 o'clock?—A. And he left at what?

Q. 4.33?—A. That is 4.30.

Q. 4.30 is your closing time?—A. There is 7 to 12, that is 5 hours; and from 1 to 4.30 is 3½ hours. That is 8½ hours. He was paid for what, eight?

Q. 8½ hours?—A. That seems to work out.

Q. 6.46 to 4.30?—A. That is 7 to 4.30; that is 8½ hours.

Q. And 6.43 to 11.59, that would be in the morning?—A. That would be 12 o'clock; that would be 5 hours; what was he paid for?

Q. For 5 hours on that?—A. All right.

Q. The next was 6.42 in the morning to 4.31, 8½ hours?—A. That is 8½ again.

Q. For the half day on February 22, four hours?—A. Where is all this waste time?

Q. I am just showing you?—A. It does not show; there is no discrepancy there at all; he was paid for the exact length of time he was on the plant.

Q. That was for his 43 hours on that week?—A. Yes.

Mr. FACTOR: He actually remained on the plant for 48 hours, you said. I think you said, Mr. Sommerville, that his elapsed time was 48 hours.

Mr. SOMMERVILLE: Yes, according to the records here used.

The WITNESS: Mr. Stevens, I would suggest that I would be glad to come down again at any time you wish; I suggest that the discussion on this material be left until I get an opportunity to go over it with your representatives there, and then we can get the facts. There will be no dispute then about the facts. The point is now, that although these men have been in our plant for three days, they have given us no indication of what facts they were accumulating, and what facts you wished to question me on.

The CHAIRMAN: Perhaps we could establish one or two things.

The WITNESS: We could establish now that the figures in regard to this man are not right. That is the same kind of thing we had the last time.

Mr. FACTOR: I would like to get at this thing of 48 hours elapsed time, and being paid for 43 hours.

*By Mr. Edwards:*

Q. What do you mean by spending 48 hours; the man is engaged by the hour, not by the day or week; what is meant?

Mr. FACTOR: He is standing around waiting for work.

Mr. EDWARDS: Can he not leave?

Mr. YOUNG: He checked out at noon on one day there, or did he go back in the afternoon?

Mr. SOMMERVILLE: Oh, yes.

Mr. YOUNG: He came back in the afternoon.

Mr. SOMMERVILLE: No, he checked out at the time.

The WITNESS: The point is that the hours that you have read there do not conform to the statement you have made.

*By Mr. Sommerville:*

Q. You think you would prefer to look into that condition?—A. Yes, and I think you should too. I do not think it is fair to bring me down here and cross-question me on this without letting me know what you propose to do.

*By Mr. Kennedy (Peace River):*

Q. You sent a telegram to the committee requesting an opportunity to put the facts before the committee?—A. So I did; I have not had any chance yet.

The CHAIRMAN: You stopped in your presentation.

The WITNESS: No, I didn't; Mr. Sommerville interrupted me.

The CHAIRMAN: No, no.

The WITNESS: All right, then.

*By Mr. Sommerville:*

Q. At the close of the man's case; I thought you wanted to deal with that separately from the woman's?—A. The man's case—the only facts you have given me about this man's case do not support the charge that you are implying in all your questions; the hours check up exactly with the hours you have read to me.

Q. I hope, Mr. McLean, that you will not think for one moment that there is any suggestion of any charge. We are ascertaining what the facts are, as to exactly what your system is in the plant, and if the system is, as you say, that men will check in and will not be paid from the time they check in but only from the time that the work may commence; you realize that throws a different light upon the picture, and that is what we just want to get at?—A. Excuse me, I cannot accept that summary of the situation. Canada Packers' name was introduced into this discussion last week. The statements that were made were wholly incorrect. I do not say that they were intentionally incorrect at all, but a serious injustice was done to my firm by reason of that, and I came down to correct that. Now you ask me a lot of questions that I am not able to answer, and that you knew in advance that I would not be able to answer, or that you might have suspected I would not be able to answer; although you had your men in that plant for three days, they have never said a word about it.

Q. I just received this report this morning, Mr. McLean, so I am just as much in the dark as you are?—A. I don't accept that, Mr. Sommerville; you are not in the dark at all. These men were acting under your instructions there.

*By Mr. Factor:*

Q. What is your opinion, Mr. McLean, as to the system of paying a man for the actual time that he works and having him stand by and wait for the work?—A. The implication of that question is that it is a prevalent practice in the plant. That is what I challenge. I am sure it is not.

Q. You say it is not?—A. And if it is, I will correct it.

Q. Well, that is something.

The CHAIRMAN: That is more to the point.

Mr. FACTOR: Yes.

The WITNESS: I have been corrected; you don't suppose that you can run a plant with 1,200 men without ever having any injustices or inequalities.

*By Mr. Factor:*

Q. You know the Minimum Wage Board provides, in most of their orders, that you have got to be paid for the time waiting for work?—A. Yes.

Q. I just wanted to know whether that provision—

Mr. SOMMERVILLE: I thought we would come to that in a moment.

*By Mr. Kennedy (Peace River):*

Q. Does elapsed time include bench time, a man working at a bench there, whether he works or not? What is the practice?—A. The practice in the plant is that the men come in in the morning at seven o'clock—you see 6.41, 6.42, 6.43

and so on—they are supposed to get in to their departments by seven o'clock. When the whistle blows at seven the men are supposed to be there, and in the main they are there. The foreman has a time book; each foreman in the department has a time book with a list of his men, and he records his gang at work in the morning, he records the exact time the men start to work.

*By Mr. Factor:*

Q. It may be eight o'clock?—A. It may be eight, or it may be any time.

Q. On this particular point, with this system, where there is a man standing by in a factory for an hour without getting paid for it, I would like to get your reaction on that point?—A. I don't think that happened. That is the point, the first thing. I get all the information about that.

*By the Chairman:*

Q. Let us get this clearly; as head of that institution you declare that it does not happen?—A. No, I don't; I said I never heard of it before. I say it cannot be very prevalent or I would have heard of it. Don't you think that is reasonable?

Q. I think it is reasonable if you are acquainted with what goes on in your plant, but it strikes me from the information that is available that you are not?—A. Now, on what do you base that statement?

Q. Well, there are quite a number?—A. Here are 16 men out of 1,200.

Q. There are a large number, obviously, who follow the system of entering the plant at a given hour, who stand by and are called to go to work at certain times?—A. Why do you say obviously?

Q. Because we have cases?—A. You have got 16 cases. There are 1,200 men working in that plant. Here is what I suggest, that it would be far better to postpone this for these facts; would not it be better to wait until I can get these facts?

*By Mr. Sommerville:*

Q. Of course it would be?—A. I came to give you the facts in regard to these two people, and I have it here—

*By Mr. Factor:*

Q. You did not expect to admit that conditions of that sort existed in your plant?—A. I am a member of a reputable firm and I expect to be treated fairly.

*By Mr. Sommerville:*

Q. When we come to the question of fair treatment, you will get fairer treatment from me than you will get from anybody else; I will have you understand that. Yesterday, when I learned for the first time from a score of your employees that that was the system I intimated the contents of the telegram to you. You say I have not been fair; but I intimated that was the evidence I had, and I asked you if that was the story, and you said you would look into it?—A. I remind you, you have not been fair to me; you have had these men in the plant for three days. I persist in the statement that I made about these abuses, that Canada Packers is a reputable firm that seeks to pay its employees fair wages.

*By Mr. Factor:*

Q. You have made that speech, Colonel, about half a dozen times?—A. I am not "Colonel", I am just plain McLean.



Q. That does not help us one bit in deciding what we are discussing now; are you suggesting that the auditors falsified the figures?—A. Not at all, I am suggesting that if there has been any unfairness to these employees, it will be rectified.

Q. You had better calm down and help the committee, instead of criticizing counsel and the committee for not being fair?—A. It is a matter of opinion as to whether the phrase I used was an improper one or not.

*By the Chairman:*

Q. Now, Mr. McLean, do you wish to proceed with your statement?—A. I would rather, yes. I would like to give you evidence in regard to these other facts, in regard to these other employees, before you leave it.

Q. Will you give us what you wish to say regarding the woman, now?—A. Yes.

Mr. FACTOR: Before we leave this point I would like an understanding that Mr. McLean will come back with the information.

The CHAIRMAN: As a matter of fact we will go into the whole business thoroughly, but for the moment it would appear desirable to have Mr. McLean complete his evidence on this point. He does not appear to have all the facts about his own plant, but the checkers may give us something on this.

The WITNESS: I think I know the facts regarding my plant pretty thoroughly, Mr. Stevens. I say I have never heard of these complaints before.

*By the Chairman:*

Q. Of course, I do not want to offer evidence; but one could. However, I would like to hear what your statement is.—A. You mean with regard to this woman?

Q. Yes, if you please.—A. Well, here are the facts in regard to the woman: the woman is married, with three children; she has worked with Canada Packers since July, the last week of July, 1933; prior to working for Canada Packers she had been employed by the Swift Company. These are the facts that she gave me last night.

Q. Go ahead, Mr. McLean; we are waiting, go right along.—A. As I said, this woman, prior to being employed by Canada Packers was an employee of the Swift Canadian company. When she came to Canada Packers on July 27, she came on the recommendation of the superintendent of the Swift Company—or rather he called up and asked our employment man if he had a place for her, he said that they did not, but she was a competent woman, so she was taken on. In recommending her, he stated that she had worked for the Swift Company for some time; during the months of March, April and May she had been off on sick leave and had worked for the company again during the month of June. From July 27, until the middle of December, a period of, I think, about seven-teen weeks—I have not added it up—she drew an average of wages of \$11.80 per week.

Q. When was that?—A. From the time she joined on July 27, to the middle of December. I think I had better just read this as I have it, instead of speaking from memory. I omitted to mention that she was started, as female employees are frequently started, at 23 cents per hour. On October 19 she was raised to 25 cents per hour. The wages, July 27-October 25, \$11.80 per week. Now, during all that time, from the time she came to us until the middle of December, this woman was on full relief from the city, although she was drawing an average of \$11.80 per week from us.

Q. She had three children to support?—A. Yes. And the middle of December the city discovered that—remember I am not expressing any view as to whether that was right or wrong, I am saying that the city discovered the

middle of December that she was on full relief, apparently not having known it before, and cut her off relief. The way that occurred was that her father went down to draw vouchers—this is her story as I took it down at her dictation last night—and they asked where she was, and he informed them she was working; and she was cut off relief for a period of three weeks. In the last week of December she met with a motor accident, she was in a motor and an accident occurred, and by reason of injury, and by reason of a certain court action in this connection which followed that, she was off for some time, she lost a good deal of time. The week ending December 27, her pay was \$5.80; the week ending January 4, her pay was \$8.40; and January 11, \$12.90; and January 18, \$6.70.

*By Mr. Factor:*

Q. How many hours of work did she put in?—A. Whatever length of hours is represented in the amount at 25 cents per hour. On January 3, 1934, she again applied for relief, stating she was not on full time, and that her average pay was only \$9 per week. That was correct. At that time, on January 3, she was put on partial relief, and the partial relief continued until the end of January, when she was again put on full relief. Now her wages during the month of January were \$8.40, \$12.90 and \$6.70. These were broken weeks. Then beginning January 25: \$10.75, \$11.20, \$10.30 and \$10.90.

*By Mr. Sommerville:*

Q. That is up to the 15th February?—A. Yes.

Q. Have you got it up to the 22nd?—A. Yes, on the 22nd it was \$8.90; and on March 1, \$8.40. Now you know cases where her wages fell below the standard of full time, 50 hours at 25 cents an hour, it is accounted for by the fact that she was off part time; but the facts in regard to this woman are these: I want to point this out just because relief plays an important part in the process by which our name was introduced into this: this woman drew full relief during May, June and July, and also drew sick benefit from the Swift Company—of course that had nothing to do with us—from the time she joined us she worked full time, getting \$11.80 during all the time from the 1st August until the middle of December. She still drew eleven dollars and something from us and full relief, and that was cut down to partial relief; and then at the end of January, she was again placed on full relief.

Q. You admit that the provisions of the Minimum Wage Act apply; I think \$12.50 was the minimum wage a woman could get?—A. Yes, that is correct. No, sir, the rate is not 25 cents, but at first, 23 cents.

Q. Yes, but that is the first pay of an inexperienced worker; this was an experienced woman from Swift's plant who came to you?—A. Not at all, it is an inexperienced worker—first year of employment—

Q. First year of employment, whether experienced or not?—A. Yes.

Q. We gathered the impression from Mr. Stapells that such a woman would be considered experienced?—A. She is what we call inexperienced help, that is one of their own rulings; she was taken on at 23 cents an hour, and that is quite in accordance, our employment man tells me, with the provisions of the Act.

*By Mr. Factor:*

Q. That is exactly what I want to find out. I understood, Mr. Sommerville, that the minimum wage for an experienced worker was \$12.50; and that for inexperienced workers, it was six months at \$10 and six months at \$11. If she is in the inexperienced class it is a clear breach of the Minimum Wage Act?—A. As to that I have no knowledge. These are the facts, and our employment man tells me that that is quite in accordance with the terms of the Act.

*By Mr. Young:*

Q. And she does the same kind of work for you as she was doing for the Swift company?—A. I am not sure of that, I judge it was.

*By Mr. Factor:*

Q. What I mean is, what do you require in order to classify an employee as an experienced worker?—A. Well, I can't answer that either. It may be that all women are taken on at 23 cents an hour.

Q. If that is so, then it is a clear case of a breach of the minimum wage act where they are experienced help?—A. Well, I would not be too sure of that, Mr. Factor.

Q. Well, here is the board's order?—A. All I know about it is that our employment man has assured me that whatever he does is strictly in accordance with the Act.

*By the Chairman:*

Q. Here is the law, as published by the government in Toronto, and in Toronto, the rate is \$12.50—there it is?—A. Yes.

Q. I mean, it is no question of opinion; it is not your opinion, or ours, we are guided by this?—A. Yes, but are you quite sure what the regulation is in regard to women employees who are taken on?

Q. She is classified with you as experienced?—A. Let us dispose of that this way, Mr. Stevens, that I do not think any injustice has been done; I have been assured by the foreman that these are strictly in accordance with the Act—if it is not, it is easily recompensed.

*By Mr. Ilsley:*

Q. You are entitled to show before the committee that it is in accordance with the Act, if it is; I do not know whether it is or not myself?—A. I cannot tell you.

*By Mr. Kennedy (Winnipeg):*

Q. Would it be fair to state your position as this, that irrespective of prior experience where taken on with your company during the first period of employment, women are considered by your company as inexperienced?—A. Now, I cannot answer that either, because I did not ask the question, but I do know that these women are taken on at 23 cents an hour.

Q. I gathered from what you said that your foreman told you that they always took them on at the lower rate of pay?—A. No, I do not know that. I did ask in connection with this, in the general discussion, are you sure that Canada Packers complies absolutely with the Minimum Wage law; and his reply was definitely, yes. Now, if that is not correct, I have nothing further to say.

*By Mr. Sommerville:*

Q. Did I understand you from your earlier statement to say that in the women's department the hours of labour for the week were 48 hours?—A. We, I think, by arrangement with the Minimum Wage Board, and by a definite understanding with them, women's work, because they have special jobs, women's work hours are 50 hours a week, and that brings them within the terms.

Q. Then do you base your \$12.50 on the 50 hour week, or on a 48 hour week?—A. Fifty hours, in the case of women.

Q. Is that by special arrangement, or is that the regular practice of your plant?—A. No, all that has been concluded fully with the Minimum Wage Board.



Q. Then may I ask—you stated earlier that Mr. Laver's department had not enquired from your plant about the earnings of these women?—A. No.

Q. Were you under that impression?—A. I was under that impression.

Q. Well, Mr. Laver, at the time, produced a letter from Canada Packers, dated February 13, 1934: "to whom it may concern; the bearer, Mrs. Blank, is an employee of our West Toronto plant. Since the beginning of the year, she has lost considerable time owing to sickness and business conditions. Her average wage for the period mentioned would be about \$9 a week. Canada Packers, signed George Bartholomew."—A. That is correct.

Q. Will you please not mention that name?—A. It is good all around as far as I am concerned.

Q. That may be, but after all this poor woman is having struggle enough with her three children and I think perhaps it would be better not to mention her name. At any rate, the city did find that she was earning about?—A. Oh, no, the city did not. This woman was applying for relief, and it was necessary to get a statement, and so she came to Bartholomew who is our employment man, and got that statement.

Q. And that was to affirm to the city that she had been earning about \$9 a week?—A. Yes, for these three broken weeks.

*By Mr. Senn:*

Q. But it was given to the lady and not to the city?—A. Given to the lady, yes; and he at that time had no knowledge that she had ever drawn relief before, you see she was suffering from illness at that time as a result of the motor accident.

Q. This was February 13, and she was not working every day?—A. No, she was not.

Q. During the week of February 8 to 15, what did she earn on the 9th, 10th, 12th, 13th and 14th of that week?—A. Well, my understanding is that that low covers the weeks of January 4, January 11, and January 18.

Q. Yes, but this letter is dated February 13?—A. It did not apply—it did not have reference to these weeks. Would you mind reading that letter again.

Q. Yes, the letter states that she was employed "in our West Toronto plant since the beginning of the year, and she has lost considerable time owing to sickness and business conditions. Her average wage for the period mentioned would be about \$9 a week?"—A. Yes.

Q. Well now, from the record that is before me she worked on the 25th January, the 26th January, the 27th January, the 29th January, the 30th January, and the 31st January. She worked six days and that week was paid for 44 $\frac{3}{4}$  hours?—A. Well, Mr. Sommerville, it is easily settled. Here is the wage record; you have it here.

Q. \$11.20?—A. January 4, week of January 4, \$8.40.

Q. January 25, is the one I have?—A. January 4, \$8.40; January 11, \$12.90; January 18, \$6.70; January 25, \$10.75; February 1, \$11.20; February 8, \$10.30.

Q. What you are saying, I think, is that she was ill at that time?—A. She was off a good deal; that was the reason which was given. I think it was correct.

Q. February 3 was the week that you referred to, February 5, February 6, February 7, February 9, February 10, February 12, February 13, February 14, February 16, February 17, February 19, February 20, February 21, February 23, February 25, February 26 and February 27. If there is a standby practice with reference to female employees or any employees that would affect their wages during that time, would it not?—A. I do not understand.

Q. If she is not paid for the full time that she is on the premises, but only when she is working, it would affect her wages for that week?—A. She would be paid for whatever time she works.

*By Mr. Factor:*

Q. May I interrupt? Is there a practice prevailing in regard to female employees standing by, too?—A. Mr. Factor, I have told you what I know. I cannot tell you any more. The next time I am before you if you will invite me, again, I will have all the facts.

Q. You are the president of this concern?—A. Yes.

Q. And you do not know that there is such a practice?—A. No; I have told you that several times. I do not know. I do not think there can be much or I should have heard.

Q. There is some of it, then, is there not?—A. What can I say to you?

Mr. EDWARDS: That is not a fair question.

*By the Chairman:*

Q. You do not know?—A. I do not know. That is my answer.

Q. Can you explain to the committee what the system is in regard to the number of hours worked? As you stated, that 48-hour week was the actual number of hours worked?—A. Yes.

Q. And females work 50 hours?—A. Yes.

Q. Why are the hours longer for females?—A. They work in different departments; it is lighter work, and besides, the standard at which we start females is 25 cents. In order to comply with the minimum wage board, they have to work 50 hours, you see.

*By Mr. Sommerville:*

Q. That is to say, your standard of 25 cents an hour causes them to work 50 hours in order to comply with the provisions of the Minimum Wage Act?—A. That is the rate at which they start.

Q. If you had 48 hours a week for women as you have for men, you would have to pay more?—A. It would be 25 and a fraction.

*By the Chairman:*

Q. A moment ago in speaking about this woman who came from Swift's, you said she was receiving something from the sick benefit fund?—A. Yes, \$7.25 a week.

Q. Have you a sick benefit fund?—A. Yes, just the same.

Q. Why didn't she get something from you?—A. She does not go on sick benefit until she has worked continuously for four days; until she does that, sick benefit fund does not apply.

Q. She was not sick very much during those periods?—A. Yes—at any rate, she had broken time and gave as a reason that she was ill; it was not continuous illness.

*By Mr. Young:*

Q. Her short time was due to the fact she did not report for work some of those days?—A. Yes, that is so.

Q. There is no other reason?—A. No other reason, whatever; it is simplicity itself.

*By Mr. Heaps:*

Q. Your factory starts to work at 7 o'clock in the morning?—A. Yes.

Q. And the workers punch a clock? Suppose they come in at 7.30, are they allowed to come in the factory?—A. I presume they are; I do not know, Mr. Heaps. I should think that is something that rarely occurs.

Q. No. I have worked in factories, and I know of my own knowledge that people come in at 7.30 o'clock.—A. You see we work in gangs, Mr. Heaps. I think there would be very few exceptions to the fact of the gangs starting together.

Q. That would have an important bearing on the question of stand-by. Your factory opens at 7?—A. Yes.

Q. And the work they have to do may come in at 8?—A. Yes.

Q. I was wondering if you could give any information on that particular point?—A. I can easily get it; I don't know.

MR. EDWARDS: The department heads will have to give you that information.

*By Mr. Sommerville:*

Q. Was there a change made on the first of March in the method of paying women in your plant? Do you know of any change?—A. No.

Q. Is there an experiment being made during the current week to find out how many pieces of work can be turned out by the women?—A. There may be, but I do not know.

Q. You do not know of that?—A. No.

Q. The matter of experiment was brought to our attention from some source?—A. That kind of thing goes on continuously. Each foreman is continuously working to improve the efficiency—

Q. To increase his output?—A. Yes.

*By Mr. Factor:*

Q. You mean, speed up the workers?—A. Well—

*By Mr. Sommerville:*

Q. That is what it results in, I presume?—A. No, it is not what it results in. All of your questions, I think, imply again that there is an attempt to treat employees unfairly. Now, what I want to make clear, Mr. Factor, is this: that there is no attempt in that or in any other way. We attempt to improve our efficiency, of course. You all know that efficiency is an important part of every organization; you must know that. Every intelligent employer does that. Well, we are constantly seeking to reduce costs on our operations. We do that by improving the organization and making the work more satisfactorily, and of course, by eliminating lost time and lost motions.

Q. Is there not a system whereby in certain operations the work has to be performed within a certain time in your plant?—A. What operations?—There is no—I do not think there is. It may be said that any operation has to be performed in a certain time. We are seeking constantly, in our work every day, to improve the efficiency of our operating gangs, of course.

*By the Chairman:*

Q. What about the man on the ham-boning belt? A belt comes along, and he is required to bone so many hams, or he does not hold his position?—A. Well, there are belts all through. I do not know of any ham-boning belt; I do not think there is one.

Q. Not a ham-bone belt, a belt to carry hams to the man who bones the ham?

MR. FACTOR: You had better be specific; Mr. McLean is very technical.

THE WITNESS: I object to that very strongly. I do not think I am in the least technical.



*By Mr. Factor:*

Q. You have objected quite a lot?—A. I am down here to give you all the facts in regard to the employment conditions of Canada Packers.

*By the Chairman:*

Q. I am sorry to say that you do not seem to have the facts; that is the trouble?—A. How can I possibly anticipate all the questions that you are going to ask? You have had your own men in the plant for three days. We could have easily examined all these facts.

Q. May I ask you this question: are you acquainted with your plant in Hull?—A. Yes.

Q. Do you know the rates of wages paid there?—A. No.

Q. Now, I am going to submit to you what is complained of before the statement is published. After you look at it, can you tell me if you are familiar with those rates of wages?—A. No.

Q. For male and female workers?—A. I do not know what the rates are at all. I do not know whether these are correct or not.

Q. You cannot tell what the rates are over there?—A. No; I am sure they are lower than they are in Toronto, I know that.

Q. We will have to ask you to be prepared with some knowledge of those facts some time later, because they will have to be reviewed.

MR. FACTOR: I think we should also have some knowledge of the operations. I think the committee should get some information on the point that you raised.

THE CHAIRMAN: Yes. Now gentlemen, if we are through with that part—I regret to say it has not been very satisfactorily answered—we might proceed.

THE WITNESS: May I ask you this: Do you consider that it is correct to state that I proved that Mr. Laver's statements were entirely wrong?

THE CHAIRMAN: You have asked me my opinion. I do not intend to comment on it, but I would say no, I do not think you have.

THE WITNESS: May I just refer to the statements? Here is a statement of Mr. Laver that I have taken exception to. I wrote them down. The questions are these:—

Are these 41 persons that are on relief on full time?—A. In every instance but one.

Now, later in regard to the man the question was asked specifically:—

Was the \$10.50 for full time week?

And the answer was—

Yes.

Do you consider that statement was correct?

MR. FACTOR: I suggest, Mr. Chairman, you obtain counsel before you answer questions.

THE CHAIRMAN: No, Mr. McLean. I simply say this: I do not think the matter is satisfactorily cleared up at all, and I do not share your views that Mr. Laver's statement is wholly disproved. It is quite true that there are discrepancies here and there, but your knowledge of the details is so vague that it is impossible to get at it.

THE WITNESS: I submit my knowledge of these details is absolutely complete in the two cases I knew of, and that I came down to explain to you.

*By Mr. Sommerville:*

Q. You do not know whether there was any waiting period for these men at all?—A. You proved it, that there is not, because you read out those—

THE CHAIRMAN: No, no, Mr. McLean.

*By Mr. Kennedy (Winnipeg):*

Q. With your permission, Mr. Chairman, I should like to say this: Mr. McLean, do not your own records and your own statement show that this woman was getting paid at a less wage than was called for by the Minimum Wage Act of Ontario?—A. No.

Q. It seems to me it stands open.

The CHAIRMAN: I will tell you this: we shall come to our conclusions on that later; but we must not let you think we accept your decision on that. In regard to your employees in Hull, I ask you to familiarize yourself on that, because we will have to go into it later on. Unless there are more questions on this incident, and unless Mr. McLean wishes to make a further statement of a general character, I would ask gentlemen, that Mr. McLean be permitted to make his further statement as consecutively as he desires.

The WITNESS: Well, before leaving this wage business, Mr. Stevens, I would just like to say this, that we feel badly about the statements that were made and the employment of unfair treatment which we read into the statements. I do not consider this is by any means the very important matter or the important matter concerning which you will wish to examine me in connection with the work of this committee. As you know, I am in the packing business, which is a branch of a much larger and much more important industry, the general livestock business of Canada. Now, the livestock business of Canada has always been important, but in the last year or two it has become particularly important inasmuch as it has become the chief avenue through which the agricultural surplus of Canada is marketed. Canada is a country that produces, and must continue to produce, a very large agricultural surplus, and the agricultural problem, which is the problem of Canada, because agriculture is Canada's basic problem, has always been and still is the problem of finding the best markets for the surplus. To put it a little more clearly, that surplus could go abroad in one of two forms. It could go abroad either in the primary products of grain, wheat,—as a matter of fact, in practice wheat is the grain that has chiefly been exported in the form of animals or animal products. I would like to stop a moment to dwell on the special importance of exports in agriculture. To begin with, it is quite clear that they are more important because of the fact that Canada produces so large an agricultural surplus; so that it is evident we must find export markets for that surplus. But they have another and very special importance that is frequently not realized even by farmers themselves, and that is this: that where a surplus exists, for instance in wheat, the price of the wheat in Canada, not only of the wheat that is exported, but all wheat produced in Canada, is determined by and depends upon the price that is available in the export market for wheat; similarly in hogs. The price of all the hogs that are raised in Canada is determined by the price that is available in the export market for Canada's bacon.

Up until the year 1929, and if I may say the period from 1920 to 1929, the greatest part of Canada's surplus agricultural products was exported in the form of wheat. Between 1920 and 1929 wheat exports grew from \$220,000,000 to \$476,000,000.

Mr. KENNEDY (*Peace River*): Bushels.

The WITNESS: Dollars. The export figures are expressed in the records in dollars. Whereas animals and animal products which are grouped in the export figures, in 1920 were \$150,000,000, and in 1929 they were \$55,000,000; so that you see the trend was a very marked one. Wheat had increased from \$220,000,000 to \$476,000,000 whereas animal products had declined from \$150,000,000 to \$55,000,000. In 1929 or during all of that time, it never occurred



to most of us that there would ever come a time when Canada would not be able to export all the wheat she could produce. However, in 1929 that time came, and for the first time we began to wonder whether there would be an export market for all of our wheat. And during 1930, 1932 and 1933, it became more and more evident that it was not an easy thing and that it might not be a possible thing to sell abroad the surplus wheat that Canada could produce. That gave a special and a new importance to the livestock industry; because the only alternative method of exporting the agricultural surplus, the only alternative method of exporting it in wheat, was to export it in animals or animal products, cattle, hogs, bacon, cheese, butter, eggs, poultry and so on.

Now, because we could no longer export our surplus in wheat, and because we must export our surplus in the form of animal products, it becomes very important to study the markets of the world and to produce the kind of animal products in Canada which will find an outlet, and which can be sold on the markets of the world; and the fact that the domestic price, the total price is determined by the price that we are going to receive for the exports, because of that fact, it is further important that we should direct our animal production in the channels which will bring back the highest price for that product. We have had a very dramatic demonstration of the importance of the problem and of the benefit of the export markets within the last two years, by reason of the Ottawa agreements which assigned to Canada a quota of 2,500,000 hundred-weight, which is roughly  $2\frac{1}{2}$  million hogs. By reason of that Ottawa agreement, which gave Canada an outlet in Great Britain for  $2\frac{1}{2}$  million hogs per year, or roughly 50,000 hogs per week, and by reason of the additional and very important factor that Great Britain decided on a policy of restricting imports of bacon in order to encourage the pig industry at home. By reason of these two factors, the price of bacon within the last twelve months has advanced in England from 40 shillings to 90 shillings. I am quoting now the price for Canadian bacon.

*By the Chairman:*

Q. During what period?—A. During the last year; a year ago now bacon was selling in England at about 40 shillings—I am speaking from memory. That was the lowest point, and that was just about now, and to-day the top official price for Canadian bacon is 90 shillings, and the actual price of all the bacon that is going over is somewhere between 85 and 90 shillings. As the market has advanced from that 40 shillings to the 90 shillings, you see it has been possible to sell the Canadian bacon, the product of the Canadian hogs, at this ever increasing price; and by reason of that ever increasing price, the price of hogs has been increased in Canada from  $3\frac{1}{4}$  cents, which it was a year ago now,—that is the low point, which was about a year ago now—from  $3\frac{1}{4}$  cents f.o.b. Ontario points to this price of  $9\frac{1}{4}$  cents. You can see that that is of extreme importance, that it is a matter of the very greatest importance for Canada. That advance in price from  $3\frac{1}{4}$  cents to  $9\frac{1}{4}$  cents, or 6 cents a pound live weight, is equivalent to \$12 a hog. In other words, the Canadian hogs, the hogs that are being marketed to-day in Canada, are selling for \$12 per hog more than they were a year ago to-day, entirely by reason of this market that they have got in England due to the Ottawa treaty and to the English policy.

If you would be interested, I think I could give you in a moment a calculation of what that has been worth in dollars to Canada. Canada produces and markets annually about 6,000,000 hogs, which is roughly 500,000 hogs a month. Of that 6,000,000 hogs that were produced in Canada last year, there were exported to England the product of about 600,000 or about 10 per cent of the hogs; by reason of the price that was received for these 600,000 or 10 per cent of the hogs, this enormous advance has taken place in Canada in the price of



hogs; and if we take the average advance—I don't know what the average advance is, but if we guess it as half the difference between  $3\frac{1}{4}$  and  $9\frac{1}{4}$ , say 3 cents a pound advance, that is \$6 per hog. The advantage to Canada of that English market in the last twelve months has been six times six million or \$36,000,000. That is a very important factor in Canada's agriculture.

Q. Over what period did you say that was?—A. Over twelve months.

*By Mr. Sommerville:*

Q. For a twelve-month period there was a \$36,000,000 increased return to the farmers growing hogs?—A. Yes, there was a \$36,000,000 increased return to the farmers growing hogs. Now, the point that I am specially anxious to emphasize is this, that although Canada did reap that benefit, which I have calculated roughly at \$36,000,000—remember that that figure is just obtained in this way, that I have averaged  $3\frac{1}{4}$  and  $9\frac{1}{4}$ , and multiplied by the weight of the hogs—although Canada did reap that enormous benefit from the bacon industry of England, Canada might have reaped a very much more important benefit if her hogs had been as good, we will say, as the Danish hogs; for all during that year Canadian bacon sold in England at an average price of about 10 shillings—8 to 10 shillings less, on the average, than the Danish bacon. Suppose we say that it is 10 shillings, less 8 to 10 shillings: suppose we say that Danish bacon has been shipped longer than Canadian bacon to the British market, and even if our hogs were as good or our bacon were as good as Danish bacon, that we would not quite get the Danish price; at least this is certainly true that if our bacon in the last year had been as good as Danish bacon, we would have got at least 6 shillings a hundredweight more for the bacon that was actually shipped, 6 shillings a hundredweight, that is per 112 pounds, the equivalent roughly to a cent a pound live weight, the equivalent price in Canada. So that if the Canadian hogs has been better, had been as good as Danish hogs, Canada would have had 6,000,000 times \$2 or an additional \$12,000,000. The Canadian farmers would have realized an additional \$12,000,000. There, gentlemen, it seems to me is the point on which the attention of Canada should be concentrated. I am quite aware that everybody who is at all familiar with the livestock problem realizes, in a general way, that it would be better,—that Canada would benefit greatly if her hogs were as good as Danish hogs, but very few people have ever converted the situation into actual figures, and very few people realize that Canada lost last year and is losing every year, a sum roughly equivalent to \$12,000,000. If we raised 7,000,000 hogs instead of 6,000,000, it would be \$14,000,000.

*By Mr. Sommerville:*

Q. \$2 a hog?—A. Yes, a cent a pound live weight.

Q. \$2 a hog on your entire crop of hogs?—A. Yes. This committee amongst other things, is charged with the duty of investigating the relations of the packing industry to the livestock industry generally. It is my view,—and I have been in the livestock or in the packing industry all my life and I think I am more interested in the welfare of the Canadian livestock industry than in any other thing, and the circumstances of my business have made it possible for me to understand that, I think, as well as I understand anything,—that one of the chief reasons why Canada continues, year after year, to suffer this loss which would be quite easily corrected if there was co-operation all round, lies in this fact: that there is not and never has been genuine and confident co-operation between the two branches, the two chief branches of the livestock industry, those being the producing side and the packers. I do not wish to enter on a defence of the packing industry; I do not wish to say anything about the packing industry other than this, that I think the packing industry in Canada performs a very important function. I think it performs it reasonably well. I am quite sure that the packing industry seeks to discharge its function of the marketing

agency of livestock as efficiently as it can; but for forty years, for all the time that I have known anything about it, the whole situation has been cursed with this lack of confidence and lack of co-ordination and confident co-operation between the farmer and the packer.

*By Mr. Kennedy (Winnipeg):*

Q. Will you express a view there as to why this lack of confidence exists? —A. Yes, I was just going to do that. It goes back a long time; my memory goes back thirty-five years. In the beginning I think it was very largely a transfer, an overflow from American conditions. I am not basing any opinion on what the American conditions were, but it is certain that that same attitude of suspicion as between the producer and the packer did exist in the United States, and I think in its origin that it was a good deal of a transfer from the United States situation. Now, wherever the responsibility for it lies, there is no question about this, that it is an enormous misfortune to agriculture, to the livestock industry of Canada and to Canada generally. It is very important if abuses exist in the packing industry, that they should be corrected; and it is very important if abuses do not exist in the packing industry, that somehow or other the farmer should be induced to change his attitude in regard to that and to co-operate, not to the advantage of the packing industry—because from a national standpoint I would look upon that as being one of entirely secondary importance—but in his own interests. If I am right in my conviction that the reason that Canada lost, or did not realize this \$12,000,000 last year on hogs is largely traceable to this situation, then it is quite evident that it would be to the advantage of everybody, and particularly to the advantage of the farmer, to correct it.

I think it lightens up and gives perspective to the problem a good deal to try to get away from it, and to look at what actually happens in the production and marketing of livestock; and here is what I think does happen: To begin with, this will be accepted as an axiom that the farmer cannot receive more for livestock than the product is sold for in the end. This product does not all go through the packers' hands, but it goes through the packers' and smaller hands and the product is ultimately sold. Cattle are bought and the sales are composed of salt beef, and so on, and the hogs are bought and the sales are mostly hams and bacon and so on; but whatever is the total amount received for the total livestock products, that constitutes the limit of what the farmer may receive. Between that sum—which is the ultimate sum received—and what the farmer gets, what intervenes?

Well, the first step is the packer. There is deducted from the total sum realized for the product, the packer's expenses or the packer's total charges. What do they consist of? They consist of his expenses plus his profits. Then back of that there are other charges, yards and transportation and so on. The two main factors in the situation are the producer and the packer, and for the present I am considering only those. I would like you to keep that in mind, and I would like you to examine these problems that I have been discussing, in the light of that framework: That the total livestock is sold for a total sum, whatever it is; that from that sum is deducted the packers' expenses and the packers' profit, and that neglecting for the present those largely minor charges, the farmer gets the balance.

Now, where do the farmers' interests lie? I think it is clear that they lie here, that the packers' charges should be as low as possible. That is clear. Also that the packers' profit I will not say should be as low as possible—perhaps even the farmers would not have wished me to phrase it that way—but that the packers' profit should be a reasonable profit.



*By Mr. Senn:*

Q. A legitimate profit?—A. Yes, a legitimate profit. These clearly are the farmers' interests. But what is the chief interest of the farmers in this situation? It is this: That the packer be so competent to do his job that he receives the highest possible price for the product that is sold. The farmers' interests hinge and depend so absolutely on the ability of the packer, on his efficiency to begin with, which reduces the expenses, and his ability to sell that product at the highest possible price.

*By Mr. Sommerville:*

Q. And to make the finest quality?—A. That, of course, is involved in the price. Every interest that the farmer has got is at the same time the packer's interest. Let me stop a moment there. What are the packer's interests? You do not need to argue about this proposition, that the packer's interests are to reduce his expenses; every packer tries constantly to do that, as I explained to Mr. Factor a little while ago. Everything that the packer does in his own interests is automatically in the interests of the farmer, except in this point of profit. You may say there is a divergence of interest there; the packer wants to get as much profit as he can, and all the profit that the packer gets is taken from the farmer. That is true. Now, the point is this—and there has been a great deal of misconception about the profits of packers in Canada—one fact about the profits of packers in Canada is that since 1920, since 1919, the close of the war, there have been no profits at all. I do not mean that individual firms have not made profits; they have; my own firm has.

Q. Your own firm?—A. Has made profits. I don't mean that every packer has lost money; but what I say is—and you can easily verify this—although I have never made a calculation, the facts are so clear that I am sure of the statement that, taken as a whole, the packing industry in the last fifteen years has made no profits at all, but losses and very heavy losses. However, that does not clear the situation because those losses may have been due to extravagant management or to too many plants or to a great many things. In other words, that may have been due to the fact that the packing industry, taken as a whole, has not been upon its job, the farmers' job, efficiently; and within limits, that is the case. That is one of the reasons why the packing industry has not been profitable. It was chiefly then during the war, that the packing industry, the same as every other industry that was producing the necessities of life, was profitable; prices were going up and up and up; it is then that every business makes profits, when prices keep going up and up and up. So that all the packing houses during the war made profits, and by reason of that fact and by reason of the additional fact that there was constant pressure for more and more and more product, the packing houses in Canada kept extending their plants, building new plants and so on. After the war they found themselves with a very much curtailed outlet. We shipped hundreds of millions of pounds of bacon and beef to Europe during the war; and after the war, within three years, our whole export trade had practically disappeared. So the packers found themselves in this position, that they had far more plants than they needed for the volume that was available, and each plant kept struggling to maintain itself, which of course was the only thing that each plant could do. The whole packing situation was in a very unsatisfactory condition, unsatisfactory for the shareholders of the packing company and also unsatisfactory for the farmers, inasmuch as there were too many plants and too much expense attached to doing their job. Well that gradually corrected itself just in the way all such situations correct themselves; one business after another just disappeared, went into liquidation. I do not know how many of you are familiar minutely with the packing industry, but Armour & Company of Chicago had their Hamilton plant closed and later closed their



plant at Chatham. These plants had been developed during the war for the export business, and it was the important end of their business; during the war it was the chief end of the business, and that closed the Gordon Ironsides Fair Company, of Winnipeg, which was the largest company, I should say—probably second only to the P. Burns Company—that closed, and so on. Well, that went on and on, and all this process of attrition went on with the situation going from bad to worse, and finally the last step and the most constructive step that was taken in my view was the formation of the company that I am attached to, namely Canada Packers. Four of the largest companies then in operation in the packing business merged to form Canada Packers. By reason of these plants closing and by reason of the merging of these four businesses in Canada Packers and consequent reduction in the cost, in the amount of expense that was attached to the marketing of live stock in Canada—I should think there was a subtraction there of expense from the cost of marketing live stock of perhaps ten million dollars, or perhaps twelve million dollars a year;—and the packing house industry began to get on a better basis, but still not without its difficulties, as those of you who know any of the companies are aware.

Now, I have not yet dealt with the question of profit, and I wish to deal with that end; and in this I am not arguing the packers' case, I am trying to make clear what the broad position is. It is quite clear that the packers can't go on with the packing industry, losing money year after year, after year. It will finally disappear, so that there must be some profit. Now, what is the interest of the farmer? To begin with, the interest of the farmer is that the packing industry should be a sound, competent and profitable industry; but it is also in the interests of the farmer that the packers profits should not be too great. Now, the nature of the packing business is such that the profits invariably, even when the profits are highest, are very small. The profit that the packer makes is a very small percentage of the total volumes of sales. Now, if this is the case, that answers it all. You see, if the packing industry performs this extremely essential service for the farmer, and does it for an extremely small percentage of profit, that really disposes of that side of the case.

Now, I am not going to dwell on that, except to make this statement: that that is the case in the packing industry, and it always has been the case, that in the packing industry, the conditions of competition and the conditions under which the packing industry is carried on are such that in the nature of things the packer could not make a large profit. He may make a sum of money on large operations that bulks to a considerable sum, but the thing that the farmer is interested in is how much per pound, or what percentage of net profit he makes, you see. Now, I will not say more about that than to say that it should be the function of the packing industry if it is doing its job efficiently for the farmer, to do that job for a very small profit; a profit which when stated in exact terms I do not think any farmer, or any body of farmers ever have challenged, or ever will.

The CHAIRMAN: Mr. McLean, I am loath to interrupt you, but it is now five minutes past one, would you be well satisfied to come back this afternoon?

The WITNESS: Oh yes, I think it would be better.

The Committee adjourned at 1.05 p.m., to meet again at 3.30 p.m. this day.

## AFTERNOON SESSION

The Committee resumed at 3.30 p.m., continuing the examination of Mr. J. S. McLean.

The CHAIRMAN: Mr. McLean was in the midst of a statement when we interrupted him, but I think he ended a portion of the statement at a point where we rose for lunch, and I would ask him now to continue his statement.

The WITNESS: In thinking it over I feel that it has been an imposition for me to make so long a statement before all you parliamentarians.

The CHAIRMAN: We are very modest, Mr. McLean, you need not worry.

The WITNESS: I do appreciate very much the opportunity of making this statement, and the hearing that I have had of it. I think I have covered most of the ground that I wished to cover, and touched on most of the points that I wished to emphasize. By way of recalling what I think is the most important point of all, I dealt principally with the hog situation, because at the moment hogs are the branch of the livestock industry that best exemplify the underlying principles with which I have been attempting to deal, and I stated that the English market, an outlet for 600,000 hogs, or ten per cent of our total production in the last twelve months, since March of last year, had been of enormous value to our hog producers. I made an estimate of the value. I did not make any recalculation of that. I would like you to know that was just an estimate I made on the monthly output, multiplying 6,000,000 hogs by \$6. But the point that I wanted to emphasize most was that although that enormous profit was made by reason of that deal, a further profit of \$12,000,000; that is, \$2 per hog on 6,000,000 hogs—

*By the Chairman:*

Q. You mean, that was the profit to the farmer?—A. Yes.

*By Mr. Factor:*

Q. I don't get that—six million dollars to the farmer, you say?—A. Yes, that that further profit might just as well, or would have been made if the product of Canadian hogs, the bacon that was shipped to England, had been on a par with the Danish bacon, which is the chief competitor with the Canadian.

The CHAIRMAN: I think you made that clear this morning.

*By Mr. Factor:*

Q. What would the benefit be for the packers?—A. There would be nothing for the packer, only just the same as he gets now. Well, that is clear, if you stop to think about it, I think; and if I may take a few minutes I will do that. You see the packer gets a fee for his services. He buys hogs, ships bacon over there, and when market conditions are favourable, he makes a profit. It happened that in the last twelve months the packer has made a very large profit on that export business, because it has been shipped practically all the time on an advancing market. The packer buys his hogs to-day and the bacon is sold in England two months from to-day.

*By Mr. Young:*

Q. You have no way of hedging sales against purchases like you do in grain?—A. No, no hedging at all; the product is consigned. On an advancing market the packer makes an extra profit equivalent to the advance that has taken place between the dates he bought the hogs and the dates on which the bacon sold, just as on a declining market he pays that loss. That may be a little confusing, and I must make it clear. Every time the English market



advances, that is immediately cabled out to Canada, and within ten minutes the news of that advance is spread all over Canada from the Atlantic to the Pacific.

Q. Well, this drop that took place in the price of hogs yesterday, did that come from London?—A. Yes, it came from two factors; for one thing the market the last two weeks has been above the accustomed level due to bad roads, you see, there has been a specially tight situation on hog deliveries, and the market has been two or three shillings above the accustomed level.

Q. How does that come, the export level fixes your price we will say at 9 cents?—A. Yes.

Q. Then the roads get bad, and you make above that?—A. Yes.

Q. Why is that?—A. Because you have to. There are not enough hogs for the fresh pork trade in the hands of the packers, and, of course, there are packers who are not interested in the export trade at all, and there is a scarcity of fresh pork, and everybody comes in to buy hogs for the fresh pork trade.

Q. I see; then this price prevailing, which I spoke about this morning, 9½ cents was really the domestic price, it was not the British price?—A. Yes, domestic—two or three shillings above the export market has been the basis of the week. We have had an unprecedented stretch of bad roads. But to go back to Mr. Factor's question, I want to make that clear, that the market substantially is always at the export level. You see if the market advances the Canadian price here goes up immediately, and if the market declines, the Canadian prices goes down immediately; and the hogs are bought on the basis of the English market practically all the time. Remember, that is not an absolute rule, because there are a hundred variations to it. But the variation from the export basis is always small, so that if the hogs, if the bacon were select, it would bring six shillings more, and the farmer would benefit correspondingly. I hope I have made that clear, Mr. Factor; so that if throughout this year bacon had sold all the time at a price six shillings higher than it actually did, the Canadian farmer would have received a cent a pound, two dollars a hog, or \$12,000,000 more for his hogs this year; and that will be the case next year, and the following year and every other year, until finally we do get on to that basis. And so it is for that reason that I think the great problem in the livestock industry to-day, as I see it, is immediately, or at the earliest possible date, to get our hogs to a basis where our product, the bacon that we ship, will command a high price on the English market. Now, that is a problem of breeding and of feeding.

*By Mr. Senn:*

Q. Do I understand you to say, Mr. McLean, that our hogs, graded as select, do not produce as good a type of bacon as Danish bacon?—A. They are very good hogs, but they are not so good as the Danish. If we could ship all select we might get a better sale price for our bacon.

Q. Practically ten per cent of our production of hogs, they tell me, is exported?—A. Yes.

Q. Can you tell me what proportion of hogs which come to the abattoirs are select; what percentage?—A. They get about 20 per cent.

Q. How do you account for the fact that we can't send 10 per cent of first-class select bacon overseas?—A. For many reasons, the two principal ones are the select hogs don't all go to the export packers, which cuts it down, I suppose, about 50 or 60 per cent, and these hogs are killed by packing houses, which are not in the export trade; and of the actual select hogs that are killed in the packing houses, about 25 per cent are bruised in such a way that they are not suitable for Wiltshire sides. Then besides that these packing houses that export bacon also have a domestic trade; they can't divert all their good hogs from their domestic trade to their export trade.



Q. Well, I was discussing this question with a gentleman who was identified with your organization some time ago, wondering if we could supply bacon in the British market, and along with that, he suggested that enough good bacon, select bacon could be culled out from the production of the different abattoirs to take care of all the export trade; is that not correct?—A. No, it is not correct; because the answer is that every exporting house tries to get its actual share of the best bacon it can get with proper consideration for its domestic trade,—its actual share of the best bacon it can, because otherwise they are heavily penalized for shipping inferior bacon; so that the bacon that actually does go is the best available bacon for shipment to be had in Canada.

*By Mr. Kennedy (Peace River):*

Q. The reason bacon is not bringing as good a price as the Danish—is it your opinion that it is wholly due to the class of hogs that are coming on the market; are you quite sure packing methods in Canada are up to the Danish standard?—A. Yes, I am quite sure packing methods are up to the Danish standard; but distance is a factor, that is geographically; but I think you have been in England recently, Mr. Kennedy.

Q. Not for a great many years?—A. I thought you were there recently. I have not heard anybody, that is any Englishman who would state that Canadian bacon was discounted because its cure was not as good as Danish.

Q. What is the reason then, the length?—A. Length and conformation, and more than anything else, the thickness of the belly.

*By the Chairman:*

Q. Right while you are on that point, Mr. McLean, I would like to remind you to do something which I think would be useful later. We will have some evidence here later from some of the experts in the marketing end of Canadian products in England, and there are some features about that on which they may have suggestions for improvements. Could you instruct some one in your plant, if you are away, to be prepared to give evidence on that point, if it should arise?—A. Oh, yes.

The CHAIRMAN: I do not want to confront you with anything now, without giving you an opportunity to prepare a reply.

*By Mr. Young:*

Q. Hogs are not supplied at the same rate for every month of the year?—A. No.

Q. Through what months do you get your heaviest shipments?—A. Well, from September to January generally.

Q. The winter months?—A. Yes.

Q. What is the percentage of hogs marketed during these months?—A. The overload of these months is not so great as it used to be, but I just hate to give you percentages; I should think September, October, November, December and January, those five months, would be about six-tenths of the total production marketed.

Q. Well now, Mr. McLean, you told us that the price of hogs a year ago, or a little more, was 3¼ cents?—A. Yes.

Q. And yesterday, or the day before, the price was 9¼ cents; can you give us the price per month—we will say from November 1932 up to the present time?—A. No, but I can from March of 1933; I had it made out yesterday afternoon.

Q. I would rather have it from November of 1932, because you tell us that these are the months of heavier shipments, but that your March shipments get lighter?—A. I am sorry I cannot give it, just January and February. In January and February of 1933 it was \$3.25. These are the average prices per month.

Q. Yes?—A. March \$4.50; April \$5.00, May \$4.75, June \$5.25, July \$5.75, August \$6, September, \$6.25, October \$5.25, November \$5.75, December, \$6.00, January \$7.75, and February \$9.00.

Q. Now, Mr. McLean, can you tell me how you arrive at the 6 per cent increase in the price of hogs during that year, when there was only one month in the year that it was 6 per cent above the beginning? You told us this morning a price six cents higher and stated that that might add \$36,000,000 to the Canadian farmer?—A. Three cents.

Q. From  $3\frac{1}{4}$  to  $9\frac{1}{4}$ ?—A. Yes, on the average.

Q. You said that made a difference of \$36,000,000 to the Canadian farmer during the year the empire agreements have been in force. Will you tell me how you arrived at that figure?—A. Yes. From  $3\frac{1}{4}$ —Remember, I safeguarded myself by saying I was making a mental calculation on the subject. It is a very large number of millions. I am not vouching for the 36. Here is the way I arrived at it. From 3.25 up to 9.25 is 6 cents, six cents a pound live weight. I averaged that; I took the two tops and averaged it. There was an average advance of 3 cents a pound, which is \$6 a hog, and on 6,000,000 hogs it is \$36,000,000.

Q. Look at the figure you have given by the month,  $3\frac{1}{4}$  cents advance, and then the next month the average is  $1\frac{1}{4}$ ?—A. Remember, I am talking about 12 months, from March 1 to March 1.

Q. We want to get the whole picture for the whole year. I find that in the last two months there was a 3 cent increase, and prior to that the increase was very slight?—A. It is a very substantial increase. I made a calculation at the end of December; I made it carefully for the 10 months between 1st March and the end of December, and there was an advance in the English market which had been worth \$22,000,000 to the Canadian farmer. If you are interested in the calculation it is made in detail in an article in the Mail and Empire that I wrote, reviewing the livestock industry.

Q. What I am interested in is the statement you made that we received \$36,000,000 more for our hogs because of the 6 cent increase. There has been no such increase?—A. I think I will stand on the \$22,000,000. That is my memory of it when I calculated between March 1 and the end of December. In January the average price was 7.75, which is an increase of  $4\frac{1}{2}$ , or \$9 per hog; \$9 per hog on 500,000 hogs is \$4,500,000.

Q. You have taken the January price as compared with—A. With the 3.25.

Q. Yes?—A. That is \$9 on 500,000 hogs, which is \$4,500,000. Then February  $3\frac{1}{4}$ , 9.00; 5.75 on a 200 pound hog, is \$11.50, and on 500,000 hogs, it is \$5,500,000.

*By the Chairman:*

Q. Roughly?—A. So \$4,500,000 plus \$5,500,000 makes \$10,000,000 to add to thirty-two. Remember, I do not vouch for the figures, but what I am saying is that this advance in the market has been worth an enormous amount, has been an enormous benefit to the Canadian producer.

Q. You let it go at that. You now say "enormous" and you withdraw \$36,000,000?—A. No; that is the advance; but I submitted it subject to it being an immediate mental calculation. I change it now to the \$22,000,000, plus 10, which would be \$32,000,000. That is subject to correction.

*By Mr. Young:*

Q. That is subject to correction?—A. Yes.

Q. Are there any other factors, Mr. McLean, which might enter into the price of hogs at the moment? How about the price of hogs in other European countries?—A. Well, the price of hogs in other countries is pretty low just now.

Q. In Denmark, for instance?—A. They are low, because they can only export a very small proportion of their hogs.



Q. Can you give us any figures?—A. No, I cannot.

Q. You cannot give us any figures?—A. No.

Q. If it should transpire that the price of hogs in Denmark has advanced since this time last year, or since the agreements were formed, that also would not apply to your figures?—A. No.

Q. Yes?—A. No.

Q. Because Denmark gets no benefit from the agreement.—A. I do not understand what you mean.

Q. Denmark gets no benefit from the agreement, and if the price of hogs in Denmark has gone up, there must be some other factors?—A. Denmark does not get any advantage from the agreements, it is at a disadvantage because of the agreements, but still has the benefit or the partial benefit of the English market.

Q. It still has the benefit of a partial market?—A. Yes, but only partially what it was before.

Q. Is it not that they pay a duty to get into that market?—A. No.

Q. No?—A. No.

Q. Just a quota?—A. Quota.

Q. Now, I should like to ask you another question.

Mr. KENNEDY (*Winnipeg*): Do you mind my interjecting just one question which may throw some light on the question, Mr. Young?

*By Mr. Kennedy (Winnipeg):*

Q. Can you tell the committee what is the present difference in the prevailing price of hogs in Toronto and Chicago and to what do you attribute that difference in prices?—A. Well, the Chicago price is very low.

Q. Can you give us the figures?—A. I am sorry, I cannot; I think about 4½ cents.

Q. The Toronto price?—A. The Toronto price, 9½.

Q. The difference between 9½ and 4½?—A. Yes.

Q. To what do you attribute that difference?—A. Entirely to the fact they have not got an export outlet for surplus.

Q. I am interested in that because I have heard it said these empire agreements were of no use to the farmer. Do you attribute it to the empire agreement?—A. Of course, largely. There is no argument, I think, that these empire agreements are the explanation.

Q. You attribute the difference to that?

Mr. FACTOR: I think we are treading on some dangerous ground.

Mr. KENNEDY (*Winnipeg*): No, it of vital importance. It is facts we want.

Mr. YOUNG: Yes.

*By Mr. Kennedy (Winnipeg):*

Q. To what do you attribute the difference in the present prevailing prices of hogs in Toronto and Chicago?—A. It is to the fact that we have unrestricted access to the English market for all the surplus that we have got.

Q. By reason— —A. Plus the fact that the English department of agriculture has entered upon a policy to put up the price of hogs in England in order to make the pig industry of England profitable.

Q. We have an unrestricted access to that?—A. Yes.

*By Mr. Young:*

Q. What did you say the present price of hogs in Chicago was?—A. I think 4½ cents.

Q. Then, there is a processing tax to be added to that? The processing tax is a subsequent payment to the farmer?—A. I do not understand the pro-



cessing tax very well, but I do not think the processing tax is distributed to all farmers; it is distributed to certain farmers in consideration of their reducing production.

Q. That amounts to  $2\frac{1}{4}$  cents a pound, on the hogs they sell?—A. I would rather you would not ask me for details of that, because I do not know.

Q. That would make a difference of  $3\frac{1}{2}$  cents a pound to be added to the price of hogs in Chicago?—A. I don't know that.

Q.  $2\frac{1}{2}$  cents to be added to the price of hogs in Chicago that the farmer ultimately receives?—A. I doubt that is the case, but I would not want to say; I don't know.

Q. You do not know anything about that. Do you know of the difference between the American hog and the Canadian hog? The price you quote here is for a Canadian select bacon hog. Is that hog known in the States at all; do they raise them?—A. No.

Q. What kind of hog do they raise down there?—A. A fat back hog.

Q. A class of hog that would not go over in this country.

*By Mr. Senn:*

Q. That is not the price for the select bacon hog on the Toronto market?—

A. The price for the bacon hog?

*By Mr. Young:*

Q. This hog is not raised in the States at all?—A. No, it is a different hog entirely.

Q. What is the present hog production of England?

The CHAIRMAN: Is that a fair question?

The WITNESS: I do not know.

Mr. YOUNG: If he does not know, he should say so.

The WITNESS: I do not know; I think they market about 4,000,000 hogs a year.

*By Mr. Young:*

Q. How many?—A. Remember, I am not sure.

Q. Are they capable of increasing their production?—A. Yes.

Q. Enormously?—A. Yes.

Q. What about cattle? Has the price of cattle advanced in England along with the price of hogs?—A. No, not to the same extent.

Q. They have not?—A. No.

Q. Is it natural to suppose that the British farmer, finding that the hog prices have advanced greatly because of the empire agreements, and the price of cattle not advancing to the same extent, that he will swing from cattle to hogs?—A. Well, there is certain to be a very large increase in hog production in England.

Q. And the result will be, of course, that the British farmer, having decided to do that, as we say, will agitate for a smaller quota to Canada and outside countries of hogs coming into that country?—A. When his hogs increase, I have no doubt that is exactly what will happen.

Q. What is he doing at the present time in regard to cattle?—A. I do not understand what you mean.

Q. Has he raised any objection in regard to the shipments of cattle from Canada?—A. All that I know is what is in the press. You know that as well or better than I do.

Q. I would like you to say it, so we can get it on the record. I cannot give evidence, you see.—A. Yes. He has requested the Dominion government to limit for the first three months of the year to the same number as last year. I understand.

Q. To limit the number of our cattle for those three months? That is what is being done this year. They are going to place some further restrictions, I understand; that is correct?—A. I do not know.

The CHAIRMAN: As a matter of fact, I do not think that last observation is correct.

Mr. YOUNG: It is not correct?

The CHAIRMAN: I do not think so.

Mr. YOUNG: I was just depending on the press report.

The CHAIRMAN: It is a little dangerous, sometimes.

*By Mr. Kennedy (Peace River):*

Q. About what grade of hog would the American live hog compare with?

—A. We really have a type of hog, but it would be—the only hog that we have that is like it, is our sow, the fat sow, sows that have been fattened after breeding.

Q. The fat sow is pretty heavy?—A. Those American hogs would not bring anything—would bring a very bad price in this country.

*By Mr. Sommerville:*

Q. Mr. McLean, you intimated that Canada Packers, Limited, is the result of a merger of several companies?—A. Yes.

Q. These companies are the Harris Abattoir— —A. Yes.

Q. And Gunn's?—A. Yes.

Q. And the Canadian Packing Company?—A. Yes.

Q. And what is the other one?—A. The William Davies Company.

Q. These four companies merged?—A. Yes.

Q. When were they merged?—A. August, 1927.

Q. Did all these plants have independent operating plants in Canada at the time of the merger?—A. Yes.

Q. Have any of these plants been closed since the merger?—A. Yes.

Q. What plants were closed?—A. The first of them was the Canadian Packing Company plant, the former Matthews-Blackwell plant at the foot of Bathurst street, in Toronto.

Q. That plant was closed?—A. That was closed.

Q. What other plant?—A. Then the Harris plant and the Gunn plant were merged into one.

Q. The Harris plant?—A. They were alongside each other in the stock yard.

Q. The Harris plant and the Gunn plant out on St. Clair avenue?—A. Yes.

Q. They were merged into one?—A. Yes.

Q. And they work in conjunction with each other?—A. They work as one plant.

Q. As one plant now?—A. Yes.

Q. And, then, what happened to the Davies plant?—A. Do you wish them one step at a time?

Q. Yes, if you will take them one step at a time.—A. Then, the Davies plant and the Canadian Packing plant at Montreal were merged into one, were linked up.

Q. Where was the Davies plant?—A. The Davies and Canadian Packing plant were at Montreal; they were alongside each other.

Q. These two plants at Montreal were alongside each other, and they were merged?—A. Yes.

Q. And was either of them abandoned, or are both of them being used?  
—A. No, both of them being used as one unit, the same as in Toronto.

Q. What was the next step?—A. Then, the Davies plant was closed.

Q. Where, at Toronto?—A. At Toronto. It was closed in January, 1932.

Q. And it is still closed?—A. Yes.

Q. Have any other changes taken place in the plants of the merger?—

A. Well, I do not think I know exactly what you mean.

Q. I just want the full history to see if there was any other change?—

A. No; that reduces the nine plants. There were originally nine plants, and there are now five operating units.

Q. Just prior to this merger of those four plants, the Canadian Packing Company represented an amalgamation of some plants did it not, Mr. McLean?

—A. Yes.

Q. What plants or companies were grouped in the Canadian Packing Company plant?—A. The original components of that business were George Matthews Company, which had its headquarters at Peterborough.

Q. It had plants where?—A. Had a plant at Peterborough and at Hull and at Brantford. The Lang Packing & Provision Company which had a plant at Montreal and the Park, Blackwell Company which had a plant in Toronto. That is going back a long way, forty years. In the course of years, these three businesses were merged; and at the time, in 1927, were called the Canadian Packing Company.

Q. Were any of those plants closed, those component plants?—A. The Brantford plant of that company had been closed before the merger, before the Canada Packers merger.

*By Mr. Factor:*

Q. That is George Matthews Company?—A. Yes.

*By Mr. Sommerville:*

Q. When was the Peterborough plant closed, or is it still operating?—A. It is still operating.

Q. Still operated by the present merger?—A. Yes.

Q. Was there any other plant of the Canada Packers closed?—A. No.

Q. Did any of the other companies that came into Canada Packers—constitute a merger of companies? Was the Davies Company a single company or was it the result of mergers?—A. No, there was a reorganization within it, but it was a single company.

Q. It was a single company?—A. Yes.

Q. Was the Harris Abattoir a single company?—A. Yes.

Q. Was Gunn's a single company?—A. Yes.

Q. There are now in the final merger how many plants operating in Canada?  
—A. Five.

Q. And there are how many closed?—A. There is really only one, the Matthews; the Canadian Packing Company plant was sold and dismantled and the Davies Company plant is closed.

*By Mr. Factor:*

Q. You said they were reduced from nine to five?—A. That is correct.

*By Mr. Sommerville:*

Q. One of them is closed, the others were merged?—A. Merged.

Q. Merged into a single unit; have you a larger capacity than you at present use in your packing plant?—A. Yes.



Q. As a result of the merger of these various plants?—A. Yes, we could handle much more livestock in the plants we are at present operating; and of course, if the Davies Company were open we could handle a very large quantity still.

Q. What other large packers are operating at Toronto?—A. The Swift-Canadian Company is the largest.

Q. Yes?—A. And the Wight Packing Company.

Q. The Swift-Canadian Company, and they operate at the stockyards also?—A. Yes.

Q. And then in addition to that, the Wight Company?—A. Wight.

Q. The Wight Packing Company?—A. Yes.

*By the Chairman:*

Q. How do you spell it?—A. W-i-g-h-t.

*By Mr. Sommerville:*

Q. Is their plant at the stockyards?—A. No.

Q. Their plant is where?—A. About a mile away.

Q. These three companies operate at Toronto?—A. Yes.

Q. What large packing plants operate at Winnipeg?—A. Canada Packers, Swifts and P. Burns.

*By Mr. Factor:*

Q. Canada Packers is your firm?—A. Yes.

*By Mr. Sommerville:*

Q. You mentioned Canada Packers, Swift's and P. Burns?—A. Yes.

Q. What large packers operate at Montreal?—A. Canada Packers and Wilsils are the two.

Q. And then are there other points at which Canada Packers are represented, where other packing plants are in operation also?—A. Well, we have a very small plant at Moose Jaw.

Q. But these three plants are the main plants?—A. Yes.

Q. Toronto, Montreal and Winnipeg?—A. Yes.

Q. You were speaking a few minutes ago of the hog market situation, and you intimated there was a rise in hogs from  $3\frac{1}{4}$  to  $9\frac{1}{4}$ ?—A. Yes.

Q. That is for the bacon hogs?—A. Yes.

Q. And the bacon hog is the basic hog; the price is fixed as the basic hog?—A. Yes.

Q. And then the select hog is a dollar more?—A. Yes.

Q. That dollar is added as a result of arrangements with the Department of Agriculture of Canada as a premium, it is not?—A. As a result of a conference that was held in Ottawa years ago.

Q. As a result of the conference between the Department of Agriculture and the packing interests and the producers?—A. Yes.

Q. And that dollar premium has prevailed ever since?—A. Yes.

Q. So that when the price of hogs is quoted at  $9\frac{1}{4}$ , that means the bacon hog, while the select hog is  $10\frac{1}{4}$ ?

Mr. YOUNG: No.

*By Mr. Sommerville:*

Q.  $9\frac{1}{4}$ , 50 cents a hundred?—A. Yes.

Q. That is right, is it not?—A. That is about it.

Q. You are reckoning a hog at an average of 200 pounds?—A. Yes.

Q. Below that standard of the bacon hog, there are a number of various grades of hogs, are they not?—A. Yes.

Q. And those grades are set as a result of government or department regulations, are they not?—A. Yes.

Q. And how many grades are there, would you say—or perhaps you can give them to us?—A. I can give them to you, but I may not be exactly right, for I have very little to do with buying hogs; at the top there is the select; bacon is second, as you say, and the select gets a premium of a dollar; below the bacon is the butcher.

Q. As you go along, would you just give us the differential of the grades below, if you can; below the bacon comes the butcher?—A. I may not be able to do that, because I am not sure.

Q. Below the bacon comes the butcher hog?—A. Yes.

Q. And that has a differential of 50 cents a hundred less, I understand?—A. If you have looked it up, I have no doubt about it. I am not sure. I don't have anything to do with buying hogs.

Q. What is below the butcher?—A. The heavies?

Q. The heavies?—A. I think probably the lights and heavies are grouped.

Q. What is below that again?—A. There would be sows and stags.

Q. There is a differential on all the grades below the bacon grade, is there not?—A. Yes.

Q. And this differential runs from 50 cents a hundred to \$2.50 a hundred, if I am correctly informed?—A. Yes.

Q. So that when you buy a carload of hogs, you buy the entire carload?—A. Yes.

Q. That is, they are graded according to government regulations?—A. Yes.

Q. And you pay for the carload of hogs according to the grade into which the hogs fit?—A. Yes.

Q. Having regard to this differential of from 50 cents to \$2.50 below the bacon hog?—A. Yes.

Q. When those hogs are graded, are they sold in separate grades or do you just take the whole lot?—A. You buy a carload and they are graded up and they are paid for on the various prices.

Q. You have intimated that approximately half of the packers are not interested in the export market?—A. Yes.

Q. And therefore half of the packers would not be particularly interested in select hogs for their ordinary fresh pork trade?—A. Oh, yes, yes.

Q. In the domestic trade, is there not a larger demand for shops and for butchers than for selects?—A. Oh, no; every packer would much rather handle select hogs and nothing else, because they are the most profitable hog; there is an equal demand for the others.

Q. Is there not a large demand for butcher hogs and shops, as they are called?—A. Well, that is for the fresh pork trade.

Mr. ILSLEY: What are these "shops"?

Mr. SOMMERVILLE: Another grade.

The WITNESS: There are lights and heavies.

*By Mr. Sommerville:*

Q. Lights and heavies?—A. They are hogs that are cut up into chops and so on.

Q. In your practice of buying, do you insist on getting all the grades when buying the butcher grades?—A. We have no absolute rule on that, but I should say in the main that we do; the question does not actually arise in practice. You buy the carloads; that is the way the business has always been done.

*By the Chairman:*

Q. That is the custom?—A. Yes.

*By Mr. Sommerville:*

Q. Supposing a merchant were selling the shops and the lights and the heavies out of a load, and reserving the butchers and the bacons and the selects for the packer, is it not your practice to refuse to accept this division by the livestock commission man and to insist on all the grades at the differentials that have been fixed?—A. It is a case that I should think very rarely happens in actual practice.

Q. By the way, how are these differentials fixed? How did you arrive at them?—A. They are fixed by a conference of the Joint Swine Committee, an official committee appointed by that original conference, a permanent official committee.

Q. Then the differential in the price of hogs is not affected by the day to day quotations on the hog market?—A. No.

Q. The only change that takes place is in the price of bacon hogs?—A. Yes.

Q. On the market?—A. Yes—well, they all go up.

Q. All go up?—A. Yes.

Q. As the bacon hogs go up, they all go up?—A. Yes.

Q. Because the differential is a fixed one?—A. Yes.

*By Mr. Senn:*

Q. Excuse me a moment, did I understand that the differential does not fluctuate from time to time?—A. It is altered from time to time by the decisions of the Joint Swine Committee.

Mr. SOMMERVILLE: It does not vary according to the price of hogs.

The CHAIRMAN: Altered by decision of the committee, he says.

*By Mr. Ilsley:*

Q. Whom does this committee represent?—A. The original conference was called in 1921, I think. It was a conference to discuss the problems of the hog industry in Canada, and the chief problem was the improving of the breed of hogs; and in order to encourage the breeding of higher class hogs, it was decided to pay a premium for selects. Before that conference closed it appointed a permanent committee to deal with this premium, to deal with these differentials, because there had to be some authority which would change the differential to meet the varying shifts of trade and the demand.

Q. It is a committee of this conference?—A. Yes.

*By Mr. Senn:*

Q. Is not that largely affected by the price of hogs at the time the joint committee meets?—A. By the conditions that obtain generally at the time the joint committee meets.

Q. And the price as well?—A. Yes.

*By Mr. Ilsley:*

Q. I want to get to the bottom of this; what is this conference, a conference of packers or of the producers?—A. No. The conference originally was a conference representing all the interests, producers, packers, government officials and so on; but the committee that deals with this under the aegis of the department, the federal Department of Agriculture, is a committee called the Joint Swine Committee, the members on which I think are appointed by the Western



Canada Livestock Union and the Eastern Canada Livestock Union, and some by the government; and the packers' representative on it is Mr. Todd, secretary of the packers' council. It is a permanent committee of about five or six or seven people.

Mr. SOMMERVILLE: They meet at intervals.

*By Mr. Factor:*

Q. What is this packers' council; is that an association of the packers?—A. Yes.

Q. You are formed into an association?—A. Yes.

*By Mr. Sommerville:*

Q. Then this packers' council, the association of packers, is a definite organization?—A. Yes.

Q. And Mr. Todd is the secretary?—A. Yes.

Q. Representing the interests of the packers?—A. Yes.

Q. Through that association?—A. Yes.

Q. This differential which is fixed, or was fixed many years ago, is practically the same from year to year, is it not?—A. It has been changed, I don't know how many times; two or three or four times.

Q. In the last ten years?—A. Yes.

Q. That is to say the changes have not been many?—A. No.

Q. And it is a more or less definitely fixed rule in arriving at the price of the various grades?—A. Yes.

Q. And then I think we have it clear, Mr. McLean, that that price is not affected by market fluctuations, except as the prices of bacon hogs go up or down?—A. The differentials are not affected.

Q. In some parts of the country you found a larger demand for heavies and fats, didn't you, than in others?—A. Well, there is never very much of a demand for the heavies and fats.

Q. Take, for instance, in the Montreal market, do you find there is a larger price paid for heavy hogs?—A. Yes. Most of the heavies get there.

Mr. YOUNG: How much above the market do they bring?

Mr. SOMMERVILLE: I am going to bring out that very question.

*By Mr. Sommerville:*

Q. Am I correct in this statement that the Montreal market does not recognize this differential as far as heavy hogs are concerned?—A. Well, I think there always has been a good deal of difficulty in Montreal. They do not enforce the differentials the way all the other markets do.

Q. A good deal of difficulty. You mean in Montreal they pay more for heavy hogs than is paid in other parts of Canada?—A. They pay more for all kinds of hogs.

Q. But they pay more proportionately for heavies?—A. Yes, I think so at most times of the year.

Q. In other words, in Montreal you have a competitive market on heavies that you have not got in other parts of Canada?—A. Well the Quebec—the lumber trade of Quebec takes the heavy hogs. There is not much of a demand anywhere else.

Q. And because of that you get a larger price for heavies that are sold in separate grades in the province of Quebec?—A. Yes, because of the freight.

Q. Not only because of the freight but because of the demand, the market?—A. At times. On the whole, perhaps, there is; but the prices are pretty well equalized all over the country. If hogs are worth so much in Montreal, they are worth that much at Winnipeg less the freight.

Q. Now, Mr. McLean, is it not a fact that many times on the markets of Canada butcher hogs would bring as much as bacon hogs if they were offered in separate grades, rather than being lumped in the whole, or tied to the whole shipment?—A. Oh, no; I do not think so.

Q. Well, do you not find out of your experience that not only butchers but shops will bring as big a price as bacons if sold separately?—A. This kind of questions are difficult questions to answer because on the same market on the same day there are all kinds of people representing all kinds of trade looking for things, and it is pretty difficult to generalize on anything. The reason these differentials were established was that they represent as nearly as they can be represented in a fixed schedule the different values, the relative values of the different hogs.

Q. You have just hit upon the very point I was going to ask about. You say the various markets and the various people seeking different grades. If you could sell the grades separately, instead of tied together, in Toronto we will say, would there not be buyers in Toronto who would seek butchers and shops rather than buy the whole carload all the way from heavies down to selects?—A. You see, you are asking a question that would involve a complete change in the method of marketing hogs, the methods that have obtained for forty years—and it is impossible for anybody to answer that question intelligently; at least, that would be my view. There may be a demand for a carload of this or that kind of hogs on a certain day, but whether or not a change in the system would make any change in the price, I do not think anybody can answer.

Q. Is there any chance of trying it?—A. I do not think there is any reason why it should be tried. On the other hand, there is no reason why it could not be.

Q. Is there any means under our present system of distribution of hogs for trying out this system in Toronto, in the Union stockyards, for instance?—A. Well, no, because the methods of marketing have followed those that have always obtained and the differentials are adjusted to present methods of marketing.

Q. Let us take it at that. Suppose I am a buyer having a shop trade in fresh pork and I go onto the Toronto market and I desire to get a carload of shops and butchers, I would have to buy several carloads of hogs before I could get out of them my carload of shops and butchers, would I not?—A. I want to be as helpful as I can, but you are putting up entirely theoretical questions. There are no such buyers.

Q. There is no opportunity to find out whether there are or not, because the system does not provide for it?—A. The fact is there are none. These hogs go onto the market as they come. They come either in carloads or they come by trucks and they are purchased under the methods that there are. It would be possible to change the whole scheme and adopt any general scheme of marketing hogs that anybody had decided on, but the whole thing is hypothetical, and I would not want you to press me too definitely as to what would happen under the thing because I do not know. It is anybody's guess.

Q. You are the packer; you are the man who handles more hogs than anyone else, and we are asking you on behalf of the committee to make any suggestion as to an improvement in the method of distributing or marketing hogs. At the present time there is just one method. Under this you buy the hogs as they are, and you have to take the whole car and to take all grades, don't you?

The CHAIRMAN: Perhaps, Mr. McLean thinks that the present method is the best and ought not to be altered.

The WITNESS: I haven't got a view on it. It is the method that is followed universally.

The CHAIRMAN: Oh, not universally?

Mr. ILSLEY: In Canada?



The WITNESS: Oh, yes.

Mr. FACTOR: For the last forty years?

The WITNESS: Yes.

Mr. SENN: Mr. McLean said Mr. Sommerville's question was a hypothetical question. Is there no demand on the Toronto market for shop hogs separately?

The WITNESS: You are asking me an awful lot of questions I never thought of before. You must remember—

*By Mr. Sommerville:*

Q. You haven't had to think about them because there has been just one system?—A. No. I think I know the implication of these questions you are asking, but I think you would do better if you could get somebody who knew more about hog buying than I do. I am trying to be as helpful as I can.

*By Mr. Factor:*

Q. You seem to stop where we want help?—A. I do not see the point of that. I do not think that is—

Mr. SOMMERVILLE: I do not think Mr. McLean intends that.

Mr. FACTOR: Not deliberately.

The CHAIRMAN: Unfortunately.

The WITNESS: No. Let us get this right. You are suggesting, or I understand you are asking me if some other method of selling the hogs would be a better method to set up.

*By Mr. Sommerville:*

Q. I am asking you if you have any suggestions along that line?—A. But you have been leading along with a series of questions.

Q. I have been asking you certain questions about grading and selling. Perhaps I can put it to you this way: under the present system a carload of hogs comes into the market. The government grader states how many hogs there are in that car of a certain grade?—A. Yes.

Q. So many selects, so many bacons, so many butchers, so many chops, so many thick, so many light sows, so many heavy sows and so many stags; is not that the system?—A. Yes.

Q. Now, when he has done that those hogs are not divided and put into various pens to sell under those grades, are they?—A. No.

Q. The whole car is treated as a car and sold as a car of hogs?—A. That is the ordinary practice.

Q. And the price of those hogs is the bacon price to-day, or yesterday, we will say, of 9.25; is that right?—A. Yes.

Q. And to that 9.25 is added 50 cents a hundredweight for the selects that may be in that car, and from that 9.25 is taken the differential of 50 cents to \$2.50 on the other grades?—A. Yes.

Q. If I came along I could not buy any of those hogs without taking the whole series of grades; is that the system?—A. No. It is not quite so rigid as that. It is the practice, the ordinary practice.

Q. Now, if your interest as a packer required the acquiring of premiums and premium hogs and bacon hogs for the export market, would you not prefer to have all the selects in one pen and buy the bacons in their separate grades and buy them as such rather than buy the whole thing from premiums to stags?—A. I do not know that we would prefer it at all. I do not think that as between the two systems—if there were two alternative systems of buying under consideration, I do not think the packer would have any view one way or the other.



Q. He would not have any view?—A. One way or the other. I think his selects would cost him about the same no matter which way it was.

Q. If there were more competition among more buyers for those hogs not used in the export trade, you would expect a higher price for the lower grade hogs, would you not?—A. No, I do not think so.

Q. You think that competition would not improve the prices of them?—A. This is so highly theoretical that I do not think it is possible for anybody to give a convincing answer on this. My view would be this, that the price that is paid for the total quantity of hogs is determined by the price that can be received for the product. It is the price I was trying to give expression to this morning, and whatever system of buying you follow or you adopt that price will be determined by the ultimate price that is available for the product.

Q. Yes, but if the domestic demand increases your price the farmer will get a larger return, just as to-day you told us that the domestic demand has raised the price 50 cents above the export price?—A. Yes.

Q. And so the domestic demand to-day has increased the return to the farmer that is really not warranted by the export market?—A. Yes. That is a very temporary situation.

Q. It might be made permanent if you had competition?—A. Oh, it could not be.

Q. If you had a permanent competition for your domestic demand, might you not have that condition for your lower grade of hogs?—A. You mean you have a condition on which the hogs would be permanently held above the export level?

Q. You mistake me—not the export hog. I am referring to the lower grade hogs which are not export hogs and which are now differentiated against to the extent of \$1.50 to \$2.50 a hundred. Would you not have free competition in those hogs which would raise the price of those hogs and give the farmer a better return?—A. You mean by a different system the price of those hogs that are differentiated against could be brought up to the export basis?

Q. Not necessarily to the export basis—at any rate an improved price, a higher price than they get now?—A. I do not think so. I do not think anybody could answer that question with confidence. I do not think so, because I think these find their own intrinsic level.

Q. Do they? They do not get a chance to find their level at present because there is a fixed level for them; they must stay at \$2 and \$2.50 below export level?—A. You mean that rigid differentials should be abandoned?

Q. I am asking you as an export packer?—A. You are not asking me at all; you are suggesting this scheme, and I want to understand the scheme you are suggesting.

Q. Take the present system which you say has been operating so long, this rigid scheme; I am asking you if a change in the scheme to give free competition to the butcher grades of hogs would not improve the return to the farmer? Do you recommend the scheme as the desirable goal?—A. As I said before, it is entirely a hypothetical question and my reply would be, "I do not think so". It would be "no".

*By Mr. Young:*

Might I put a question in another way: suppose we could not ship hogs to the stock-yards at all; or suppose all hogs were shipped to the stock-yards and there they were graded selects to one pen and bacons to another, and so on and then the buyers and all other packers were invited to come and bid on the hogs they wanted, what effect would that have on the differential?—A. Well, I think the answer is the same as I gave to Mr. Sommerville, that is, the total price that would be paid for the hogs would be just the same because it is determined by the price that is available for the product.

Q. The price that is available for the product, the price that will be available only for the selects and the bacons.—A. Oh, no.

Q. Then you have those other hogs that are sold in the domestic market?—A. The outlet for the other hogs would be still just exactly what it is now. You see, I am taking it for granted that the packer under the present conditions markets all the hogs for as much as he can get for them; the packer would still continue to market the hogs and I do not think he would get any more for the hogs, so that while there might be some spread as between the different grades the total price that would be received would be exactly the same.

*By Mr. Sommerville:*

Q. The gross return you think would be the same?—A. Yes. Remember I am not posing as an expert on this.

The CHAIRMAN: You are a pretty good authority. I don't know of anybody in Canada who is better.

The WITNESS: Because it is a purely hypothetical question.

*By Mr. Sommerville:*

Q. You have to deal with the question of buying the hogs every day?—A. I have given you my view as clearly as I can.

Q. By the way, when you were buying your hogs at 3.25, it cost the same to process a 3.25 hog as a 9.25 hog?—A. Yes.

Q. And it cost exactly the same to transport the finished hog?—A. Yes.

Q. So that your costs for a 3.25 hog laid down in Liverpool would be the same as a 9.25 hog?—A. The costs attaching to it, yes, the expenses.

Q. I do not mean the price?—A. The expenses attaching to it, yes.

Q. Perhaps you may not be in a position to give us this information at this time, but is there a larger profit to you in the handling of a 9.25 hog than there is in the handling of a 3.25 hog?—A. That is an easy question to answer. When we were handling 3.25 hogs there was no profit at all.

The CHAIRMAN: Of course, that is a safe answer.

*By Mr. Sommerville:*

Q. The alternative is, when handling a 9.25 hog there is a profit, in handling hogs or any other product?—A. Yes, when the market is increasing. I explained that this morning.

Q. And your market has been increasing?—A. Oh, yes.

Q. So that the 3.25 hogs that you bought in January of 1933,—you sold in the English market two months later, did you?—A. Yes, about two months.

Q. On the basis of 4.75 hogs in Toronto?—A. Yes.

Q. And the 4.75 hogs that you bought in Toronto you sold in the English market on the basis of hogs in Toronto at 6.25?—A. Yes.

Q. And the 6.25 hogs that you bought in Toronto you sold in the English market on the basis of 9.25, or thereabouts?—A. Well, that is the idea.

Q. That is the idea, yes, and, therefore, there has been that steady improvement in prices of bacon and, therefore, steady improvement to you in the return on the hogs?—A. Just to make that point clear I will differentiate between the automatic profit that comes to the packers in the market and the operating profits that you hope to get regularly in buying and selling. On a market that remained absolutely level the packer would hope to get an operating profit of say a quarter of a cent a pound.

*By Mr. Ilsley:*

Q. Whether they sold high or low?—A. Whether the hogs are high or low. As a matter of fact, when hogs are low it is very difficult for a packer to get a profit, but when high it is much easier.



Q. Why is it easier when they are high?—A. Because the fact that they are high implies they are high because they are in great demand and it is easier to get your price; and the fact that they are low means that there is no buyer.

*By Mr. Young:*

Q. When you say there is no profit in hogs at three and one half, what do you mean by that,—to the packers?—A. I mean if we were selling on export trade, but it might apply closer to the domestic trade, that when conditions are such, when the hog market is in that position it is extremely difficult to make a profit on operation.

*By Mr. Kennedy (Peace River):*

Q. You have paid your costs, wages and salaries?—A. The costs for one thing are relatively so much higher to the price of hogs.

Q. But were you able to pay interest on your investment, salaries, wages and so on?—A. Well, our results year by year are published, but that would be a long story to get into.

Q. Well, a great many farmers in the country at least are interested in this question of stock-yards. It is the practice in some parts of the country, is it not, for the packers to have buyers out in the country buying directly from the farmer?—A. Yes.

Q. Why do the packers do that? Why do the packers keep buyers scouring the country for cattle?—A. To deal with hogs first, that has been the almost universal method of buying hogs in Ontario, and the reason is that the plants are located all over Ontario, and very largely most of them are at points where there are no yards, and it would be clearly an undesirable expense for a packer in Kitchener, for instance—there are two yards there—to buy hogs on the Toronto market, hogs from the country around Kitchener and then have them shipped back to Kitchener to the plants there.

Q. Well, there are no buyers then seeking to buy hogs from farmers bringing them into the Toronto market?—A. Oh, yes.

Mr. SOMMERVILLE: The Toronto plant?

*By Mr. Kennedy (Peace River):*

Q. Why do they keep them when they have stock-yards there?—A. Well, the method of buying hogs, that is kind of a long story, and I think I should try to make it clear.

Mr. SOMMERVILLE: This becomes important because the whole question of marketing of livestock is within the purview and after this investigation doubtless it will be taken up, but I understand you are going away on a holiday and ordinarily this would come up after there has been some further inquiries?—A. You see, the practice of buying hogs arises from the plant situation; you can understand that; these plants are scattered all over Ontario.

*By Mr. Factor:*

Q. I thought there were five plants altogether?

Mr. SOMMERVILLE: There are a number of small plants that Mr. McLean is referring to.

THE WITNESS: They are not very small plants either.

Mr. SOMMERVILLE: They are smaller, shall we say, than the mergers perhaps. We will deal with them only from the stand-point of the merger of the big plants. What is the situation as it affects Swift's and Canada Packers, do they have buyers in the country buying hogs?—A. I should not think Swift's do, and we have no buyers in the country buying hogs.



Q. In Ontario?—A. No.

Q. But you do have buyers shipping directly from Alberta?—A. No, we have no buyers shipping directly from Alberta. We buy a good many hogs in Alberta f.o.b. country points.

*By Mr. Senn:*

Q. Before you leave that, Mr. McLean, you say you have no buyers in the country, but a certain proportion of the hogs that come to your abattoir come by truck do they not?—A. Yes.

Q. Do you ever pay the truckers a premium for the hogs they bring in?—A. They bring the product to the abattoir, they bring the hogs to the abattoir and we pay for them just the same as we buy any other products.

*By Mr. Sommerville:*

Q. Do you ever pay the truckers a premium for bringing in hogs to your plant rather than taking them to the market?—A. No. The trucker gets a premium in the fact that he does not have to pay market dues. We pay the market price whatever it is.

*By Mr. Senn:*

Q. The trucker brings the hogs in to your abattoir and you send the returns back to the farmer by the trucker. I am told that in many instances truckers receive a premium from the packers for bringing those hogs direct to the abattoir?—A. I have heard that statement made. I don't think it is correct.

Q. I don't know either?—A. It is certainly not correct so far as our firm is concerned, or if it is I don't know anything about it. Remember, there is a lot about our business that I don't know. I am saying that just because I am trying to be helpful to you.

*By Mr. Sommerville:*

Q. In fairness to you, as Mr. Senn has said, information has come to several members of the committee from a number of people to the effect that the packer who has hogs delivered direct to the plant often times pays the trucker himself, not for the farmer but the trucker himself, not only the amount that he would get for the farmer but he is paid on top of that a bonus, or a premium or an allowance for bringing to the plant a certain number of hogs per week or per day?—A. I don't know that.

Q. You don't know that practice?—A. No.

*By the Chairman:*

Q. Would you say it is not correct, Mr. McLean?—A. I don't know.

*By Mr. Factor:*

Q. Does it occur with your consent?—A. I don't think so.

*By the Chairman:*

Q. What proportion of the hogs that you handle in the Toronto plants are brought direct to the plants either by railway cars or trucks and not passing through the Toronto Livestock market?—A. Oh, I should judge 50 or 60 per cent.

*By Mr. Sommerville:*

Q. That is, going through your plants?—A. Yes. Some of these hogs are bought from drovers who assemble car loads in the country.

*By the Chairman:*

Q. But there are more truckers to-day than the old fashioned drovers?—A. Trucking is increasing rapidly.

*By Mr. Sommerville:*

Q. Then, Mr. McLean, with respect to Alberta you say a lot of hogs are bought f.o.b. loading or shipping points in Alberta?—A. Yes.

Q. And the price that is paid in Alberta is fixed by the market price at either Calgary or Edmonton, is it not?—A. Oh, no. You see, the hogs that I know about, that I hear about every week are the pool hogs at southern Alberta point, at Lethbridge or Blind Man Valley, and at Ponoka. There are a group of farmers there who send in their hogs every week; they have six to eight car loads in each of these pools. Supposing a cable comes from England that the market has advanced—

Q. The cable goes to the packer, the cable doesn't go to the farmer.—A. The cable goes to the packer and to the market too. The cable is published in the papers; but there is a place where a packer very often wishes to get hogs, where he can buy five or six car loads, or it may be seven or eight or ten, and every packer in Canada bids on those hogs or puts in an offer on them. They are sold on certain days every week. Those are the Alberta hogs that I know of.

Q. The price that is paid is related to the price, however, that is fixed on the stock-yards, that is, the public market in the stock-yards.—A. I am thinking of it, of course, from the pool man's point of view. We do not know what price is being paid, or do not know very accurately what price is being paid. I would rather say that the price on the Calgary and Edmonton yards was generally fixed by the price paid for those f.o.b. hogs.

Q. That is, you would say the price on the Toronto yards was fixed in the same way if you have 50 to 60 per cent of the hogs going direct?—A. You see, it just happens you mention those Alberta hogs, and it happens that a situation exists in Alberta that does not exist anywhere else as far as I know, because of these pool hogs.

Q. But Mr. McLean, do you not fix your price for those Alberta hogs on the basis of the market price of the day that is fixed by the stock-yards in open competition and published?—A. Oh, well, the same conditions determine both, of course.

Q. Yes, you would not pay them more than the market price?—A. Oh, we frequently do.

Q. You frequently do?—A. Oh, yes. For instance, here is a load of say six or eight trucks and there is a chance of buying six or eight or ten decks at one time; that frequently happens.

Q. And you know when the market is likely to go up, because you are the buyer?—A. We don't know very much about it, but we always have to have a judgment.

*By the Chairman:*

Q. Just on that point, in Great Britain, your representative sits in with the trade over there and they agree on the price of bacon, don't they?—A. Yes.

Q. You get that advice, of course?—A. Yes.

Q. And you are in a better position, of course, to know what the market price is likely to be than the farmer in Alberta?—A. Oh, yes, we are, but that price is cabled every week; it is published in the Friday morning paper every week.

*By Mr. Ilsley:*

Q. Why are you in a better position to know then?—A. Because we have our own agent there and we are getting cables every day.

Q. You know before it is published?—A. No, we do not know before it is published but we always have a view; we frequently have a view that the market is going to advance, and when we have that view we try to buy up all the hogs we can.

*By the Chairman:*

Q. You would know pretty well, for instance, towards the end of this week from your cables from your representative who sits in with the British buyer that next week the market was likely to stiffen?—A. We generally have a view.

*By Mr. Sommerville:*

Q. What do you call a view?—A. For instance, we have a view that the English market will decline this week.

Q. And you get that view from the cables from England?—A. From numerous cables; we have two or three cables every day.

Mr. FACTOR: It is not a view, it is a knowledge.

Mr. ILSLEY: He says it is an opinion.

*By Mr. Kennedy (Winnipeg):*

Q. Cables contain the information on which you base your view?

The WITNESS: I think you misunderstand me, Mr. Factor, or you would not suggest it is a knowledge. I have been trying to explain that we have our views; that is our business to estimate the market all the time. We are frequently wrong.

*By Mr. Kennedy (Winnipeg):*

Q. You say that your view is very often wrong?—A. Exactly.

The CHAIRMAN: The price is fixed each week by conference between the Canadian representative and the buyers over there of bacon.

Mr. KENNEDY (Winnipeg): Oh, yes.

The CHAIRMAN: For the ensuing week.

Mr. ILSLEY: Does he know what it is going to be fixed at in advance or is he just guessing, forming a guess about that.

The WITNESS: I wish we did know.

*By Mr. Sommerville:*

Q. What happens then when this conference takes place in England? Are your representatives at that conference?—A. Well there is a committee of Canadian agents—there are one or two representatives selected from all the Canadian agents.

Q. Yes?—A. Who meet the representatives, a small committee from the buyers, under the chairmanship of an official of the exchange.

Q. Yes, and this committee then, some representing Canadian agents and some the buyers, under this representative of the exchange as Chairman, fix the price for the following week?—A. Yes.

Q. That price is cabled to you, is it?—A. Yes.

Q. And they fix the price for the following week; I just want to get that clear?—A. The price is fixed each Thursday.

Q. The price is fixed each Thursday?—A. During the week some trading is at a definite price when the trade is made, but most of the trading is done on the basis of—bacon is sold on Monday, Tuesday and Wednesday, the price to be the price fixed by the committee on Thursday?—A. It is not fixed for the following week, it is fixed for the past week.



Q. That is, Thursday's conference fixes the price that prevails from the Monday previous to the Thursday, to the Saturday following?—A. That is, on trades that have been left open.

Mr. FACTOR: That is not the information I got from the Chairman's remark, I thought it was fixed for the following week.

*By Mr. Sommerville:*

Q. Let us get this now; on the trades that are left open—what do you mean by that?—A. Some bacon is sold and the deal definitely closed.

Q. At a price?—A. At a price. For instance, the market runs between 85 and 90 shillings. There would be some bacon sold to-day on which our agent and the buyer will agree to, say a price of 86 shillings, they will give us a cheque; but on some transactions the price would be left to be determined when the market was fixed on Thursday.

Q. Oh, yes, and on the open deals the Thursday conference fixes the price to be paid on that bacon?—A. Yes.

Q. Now Mr. McLean, with respect to that Alberta situation, our information is that of the hogs that are slaughtered, we will say at Edmonton, 98 per cent are bought in the country (these are 1932 conditions, our figures are for 1932) and shipped direct to the plant, while 2 per cent were bought upon the market?—A. Yes.

*By Mr. Young:*

Q. Did you say these were all bought in the country, that some of the farmers would load hogs and ship the packer without consulting anybody? Are these direct shipments?—A. Mr. Sommerville knows more about that than I do.

Q. The farmers had the hogs shipped out to the packing house?—A. I submit if the percentage is 98 there must be a great many farmers or drovers who do that who have a connection with either Swift and Company or P. Burns & Company, and they just buy runs each week and ship to the plant.

Q. Now, as a packer, if these figures are correct—and these figures give us for 1932 the condition in Northern Alberta—since the price of hogs is fixed on the open market, do you consider that a healthy state of affairs to have the price of the 98 per cent of the hogs shipped direct fixed by the 2 per cent that are on the market?—A. You are asking me a question about a territory that I am not personally familiar with. My view in regard to this whole subject is that the method of buying has very little effect on the price, when the price is determined, as I have explained two or three times, by the total sum at which the product can be sold, and that however you buy the hogs—there may be some shade of differential as between grades if you buy on a graded basis—however you buy hogs the total price that will be paid will be the price which is determined by the outlets.

*By Mr. Ilsley:*

Q. Excuse me, I do not know anything about this, but I just want to ask a question; there is a certain spread between what you pay and what you get for the bacon, I suppose?—A. Yes.

Q. And you would intimate that the spread is determined by the high quality you get?—A. No, there are millions of transactions, and I am not intimating that at all; but the total effect that works out in a way that I can not explain, and that nobody else can explain, but it does work out; the total effect is that the price paid is determined by the outlet, and the price obtainable for the product, I think I could illustrate that to you—I realize that you are asking for information, and I realize that I am not giving you a very con-

vincing answer; I don't think anybody could—you must realize that I am talking about a business in which millions of transactions occur. Now, I cannot tell you the exact laws that govern each transaction, but I do think I understand the principle that is behind the total business. That is what I am trying to make clear.

Q. Exactly?—A. Now, in regard to whether or not that did obtain, I do not think you could have a better proof—that is hardly the word I want—of the thesis I am trying to maintain in just exactly what has happened in the hog market this year. The English market advanced step by step, as it advanced the price of hogs went up; it went up at Edmonton just as it did at Toronto, Peterborough, Hull and at every other point, because the outlet for that went up.

Q. The competition of buyers of one kind and another in Canada is perhaps what keeps that spread uniform?—A. You have put your finger on it, I do not know why I did not think of that. Everybody knows what the outlet is, and then when the buyer sees that there is going to be an advance in price, everybody goes out after the hogs.

Q. If you destroyed that competition in some way, there would be nothing to keep the spread from being excessive?—A. No, it all hinges, first on the basis of outlet, and then there is active competition for the hog.

*By Mr. Kennedy (Peace River):*

Q. Is the competition less with the packers; buyers out in the country than it would be if they were all going to the central yards?—A. No, I do not think that—I think a pretty fair thesis can be put up that a change in buying methods might make a change in price of hogs; but I think fundamentally the final answer is what I have said, determined by the amount of money available for the product.

*By the Chairman:*

Q. Just one or two questions there. In your statement this morning, and again this afternoon, you mentioned that the export market was really the determining factor; that is your contention, and that is the basis of your thesis, and of this long statement?—A. Yes, but remember there are qualifications to it, as I explained to Mr. Young, that determine the price of hogs. Now, what has accounted for the advance in the price of hogs in Canada this year has been the advance in the price of bacon in England this year.

Q. Now, we export approximately 10 per cent?—A. Yes.

Q. Then the price to the farmer of the 90 per cent that is consumed domestically is determined by the 10 per cent that is exported—that is your argument?—A. Yes.

Q. Now then, the question I would like to propound to you is this, you may say it is theory, but it is very vital, I think, to the farming interests that produce these hogs: is it not possible that the method now involved in the merchandising of hogs after they come to the markets, either direct or to the stock yards, militates against the price of the 90 per cent of the domestic hogs?—A. No, not at all, because the price that is paid for all that 90 per cent of the domestic hogs is exactly the same price.

Q. That is because of the system?—A. But the basis is determined by the English market.

Q. No, what has the English market got to do with all the grades below bacon hog?—A. Because there is a differential, and because of this formula upon which it is agreed to buy hogs in Canada.

Q. Precisely, because of an arbitrary formula adopted and now in vogue?—A. I do not think you have got the point I am trying to make. I am not



claiming it is right. What I am saying to you is this, that the price of hogs in Canada, and of all the hogs in Canada, is determined by the export market; and whatever changes you make in the system of buying hogs, hogs that go into domestic consumption, you do not make any change in the export market, and that is the thing that determines.

Q. That is your theory, your way of propounding it. What Mr. Somerville and others have tried to get at is this, that a very substantial proportion—your proportion is 90 per cent—that is sold here, is not affected by the bacon hog feature at all. Therefore, if there was a freer market, and a freer method of competition in these other grades—butchers, stags, heavies, lights, and so forth—if there was freer competition for these grades in Canada, would there not be a tendency for the market to pay a higher price for these 90 per cent of the hogs marketed?—A. Well, remember I am just giving you my thesis, and I think you are overlooking that thesis, Mr. Stevens.

Q. I do not think so?—A. I think you are overlooking this, Mr. Stevens, that I am taking it for granted that all the product that is sold in Canada, as well as all the product that is sold in England, is sold for as high a price as is obtainable.

Q. Under the present system?—A. I do not see the system on which you buy hogs has anything to do with the price you are going to obtain for your hogs?

Q. That is a question of opinion?—A. I do not think it is a question of opinion. How can it affect it? How can the man that buys that pork—the man that buys that pork does not know anything about where those hogs were bought. You will probably concede this, that the packer gets all he can for the stuff he has to sell. I think we get all we can for the stuff we have to sell both here and abroad. I think the fundamental consideration in this thing that we have been discussing this afternoon is that if you take it for granted that the packer is getting all he can, I do not see how you can increase the total price that is paid the farmer except by reducing the expense to which the packer is put.

Q. How are you going to say that the packer has got all he could, for instance?—A. I cannot see how you think—

Q. There is no objection, for instance, to the consumer in town here when hogs were selling from \$2.90 to \$3.25—there is no reason to say that the consumer would have objected to paying \$4 or \$5. They did not object when they went to \$4 or \$5?—A. No. You see, that was because the market was cleared of the surplus at the time. I think I may reasonably speak of this, that the packers market that product as well as they know how—I was going to say as well as anybody could, but I will say as well as they know how. You have got the packers all interested. You might change the packers, who might do better. I think the fundamental thing is that the price that the farmer gets for the hogs is determined by the price that is available for the product.

Q. It seems to me that farmers are fairly well satisfied this year because hogs are high, but last year when hogs were low, it was a different story. Half of last year and prior to that hogs were \$3.25, which is not a fair price to a farmer for his hog?—A. What do you mean by fair? That is all that could be got for the products.

Q. Is it not a ruinous price to the producer? Let us get one fact. Is not that ruinous?—A. Why do you ask me that question?

Q. I ask you your opinion. Do you consider the farmer is getting a living price?—A. The farmer is operating at a loss, no doubt of that; but I would like to interject in here that nobody suffers so much when prices are low—

Q. As the farmer?—A. Next to the farmer as the packer, because the packer—remember, I am in the livestock business 365 days of the year. You gentlemen at Ottawa intervene once in a while, and Mr. Sommerville intervenes



once in a while. The soundness of our business depends on the total livestock industry being sound, and nobody is so anxious for the farmer to have remunerative prices as the packer.

Q. Let us take that for granted. The fact remains that the price of \$3.25 is ruinous to the farmer. We will admit that?—A. All right.

Q. Then, if we can discover that there is in this system presently in vogue, something that could be improved on in the way of marketing or some other system that may be adopted that will improve the prices in the domestic market, is it not desirable?—A. Certainly; it is just as much in the packers' interest as the farmers. Excuse me for one moment. There is no disparity, there is no divergence of interest between the farmer and the packer. The theory that you are working out is based on the assumption that the packers' interest and the farmers' interest clash. That is not the case at all.

Q. All I can say is the farmer is the goat. That is the thing that worries me. I am telling you very frankly that insofar as beef is concerned, when we come to it, we will find that the condition is far worse there than we have found with the hog.—A. Well, a year ago—

Q. I think it is the primary duty of this committee to search out and find just why it is that the farmer is always left holding the bag?—A. Let me tell you what is the primary duty of this committee, what I think it is, particularly in regard to the packing business. I am not here in the position of a school teacher at all, but I spent my life in this business. That is what I came down here for, and that is why I asked for the privilege.

Q. Quite so?—A. The duty of all of us is to try to introduce changes, if any, if we can agree on the change in the method of carrying on the livestock industry in Canada, which will bring the larger returns to the farmer. That is what you are after; that is what I am after. I have been speaking to you this morning—by the way, I did not get the chance to finish my speech—I got on this question.

Q. I thought you were through?—A. No. I would like to have added some more. Speaking to you this morning about a change in the method of carrying on the livestock industry which would immediately bring in the farmers \$12,000,000 a years more—

*By Mr. Sommerville:*

Q. By producing better hogs?—A. \$12,000,000 a year. There is something to be done in Canada, gentlemen, that will bring immediately \$12,000,000 a year more to the farmers out of hogs alone. It will not bring in a nickel to the packer—well, I should not say that. I do not think their profit will be—

Q. They get their returns?—A. They get their operating profit. The packer in insisting on that and asking for those changes year after year—because we are losing \$12,000,000 every year—is thinking solely of the interests of the man who produces those hogs. Now, I think this committee has an opportunity in that regard. I know that you are honestly seeking to benefit the farmer in those changes in the methods of buying hogs that you speak of. Personally I do not care what method is adopted for selling hogs. I am not opposing the change, but what I am saying is I do not believe it will add a nickel to the price that the farmer will get for the hogs; whereas, I do know a way whereby you can add \$12,000,000 a year.

Q. Suppose we add \$12,000,000 a year to the farmers of this country by growing 50 per cent more select hogs than we are doing now, when they come to the market, under the present system, if every car of hogs that you buy contains 50 per cent of select hogs instead of 10 per cent the farmer would have to sell you the sows and the heavies and the lights and the butchers and the shops at a fixed differential, would not he?—A. It would depend on the formula that you adopted in buying.

Q. The present formula?—A. The present system is a system that was adopted in the judgment of all the people involved represented in the joint swine committee. These were not representatives of the packers' interests at all. The packer has one representative and there are six other representatives on the committee.

Q. That is not to say as it was in the beginning, is now and ever shall be. If we can find an improved method of marketing, it is the desire of this committee to do so.—A. Well, you see what I—

Q. Let me illustrate it. When you were paying \$3.25 for bacon hogs by carload lots in the same year in which you bought bacon hogs, 80 per cent of the hogs were below bacon, were they not—70 per cent?—A. You are speaking of the general average.

Q. Yes. Seventy per cent below bacon?—A. Yes.

Q. So that 70 per cent was bought for less than \$3.25?—A. Yes.

Q. And some of them would be bought for 75 cents a hundredweight with a fixed differential on which you bought when you were buying at \$3.25?—A. Yes.

Q. So that the farmer who sold his carload of hogs and had to sell them by that fixed differential may have got only 75 cents a hundredweight for some of his hogs, and \$1 a hundredweight for some of the others and \$1.25 for the rest of them. What the committee desire to know from you is this: if he had been able to take out these cheaper grades would he not have found, then, on the competitive markets a higher price than 75 cents a hundredweight or a dollar?—A. You want me to answer that? Well, my answer is that I do not think it would. I do not think you could, for the reason I have given you.

*By Mr. Ilsley:*

Q. When the price gets down to \$3, you take away the whole value of the hog?—A. Well, that is the intrinsic value of the hog.

The CHAIRMAN: No, no.

Mr. ILSLEY: You say the poor hog was 10 per cent, whereas this good one was 20 per cent. You take it all.

*By the Chairman:*

Q. Here is another question I would like to ask, Mr. McLean. You spoke about a conference with the packers and so forth. I remember sitting in on a conference, and your representative at that meeting stated very definitely and very positively that they preferred to process a substantial proportion of their export business in seconds, as he termed it—that is seconds when it became bacon—for the British market. How do you reconcile that with your statement that you would prefer to have selects?—A. That statement—are you sure you understood it?

Q. I am dead certain of it.—A. Well, I don't understand.

Q. Furthermore, there have been a lot of complaints about that second-grade bacon?—A. There are a lot of complaints about everything the packer does.

Q. No, no— —A. That is the thing that I am talking about; and let me tell you this, Mr. Stevens, that we are talking now about something that I do not think is worth \$100 a year to the Canadian farmers.

Q. What?—A. This thing about the changed system of buying, and we are not talking about this thing that everybody admits is worth \$12,000,000 a year. That is what I hope will come from your committee.

Q. Will you please just stick to this second-grade bacon that I am speaking of for the moment?—A. You are speaking about something that I don't know—I think you must have misunderstood.



Q. No, I do not misunderstand. I understand very clearly two points; one is that complaints came from Great Britain during the past six months because of the inferior class of bacon that we have been sending over there, not our best, not our select, but our second grade. There have been a lot of complaints. I am stating that definitely, and knowing what I am talking about?—A. It is possible you do not understand all those complaints.

Q. Well, of course I can read English, and I am fairly well informed of them?—A. Yes, yes, but you are not in the bacon trade. I cannot understand this, because packers do not send their product over there to sell at rotten prices. They send their product over there to sell at the best price they can get.

Q. I did not say to sell at rotten prices. I said there was a substantial portion of that bacon shipped out of here this last year, we will say this last nine months, about which there have been considerable complaints on the British market because of its inferior quality?—A. I can explain that, too.

Q. That is one statement. The second is this, that one of your representatives said that they preferred to send a certain proportion, and he said a very substantial proportion of what he called seconds,—I have forgotten the exact term that he used—

Mr. YOUNG: Butchers.

*By the Chairman:*

Q.—this soft bacon rather than firm, first-class bacon, because there was a market for it in the old country. What I am coming to is this: You have stated that the farmer should raise select hogs and the bacon type, and if they did they would get \$36,000,000 a year more?—A. No.

Q. I mean to say \$12,000,000 a year more in increased returns; how do you reconcile those two positions?—A. Well, Mr. Stevens, they are very easily reconciled. Your difficulty is that you have not spent thirty years in the packing industry.

Q. Take it for the moment that I don't know anything about it; I am a disciple looking for information?—A. Well, I am trying to give it to you. You must admit that I am trying to be helpful. If we were raising all bacon or all select hogs, there would not be any seconds shipped.

Q. That would be a desirable position?—A. Yes, of course, but the seconds are here. I will just tell you what I think of this thing that is arising here—

Q. May I ask before you leave that, or make this point, that out of this mixed carload that you buy,—and which you insist upon and have insisted upon very frequently here to-day as the right way to buy,—there will be at least 60 per cent that will be below the bacon type; that is reasonable, I think?—A. No.

Q. How much?—A. Selects are about 20 and bacons are about 30.

Q. Well, 50 per cent?—A. All right.

Q. I think that is a little high, but we will take your own percentage, 50; that 50 per cent is bought at a very low and arbitrary cut of one to two dollars below the bacon type?—A. No, it is not very low.

Q. Never mind whether it is low; it is lower by one or two dollars?—A. Yes.

Q. That is the point?—A. Yes.

Q. And is there more profit in it if you can send a substantial portion of your bacon to the old country in that second grade because of the low price you buy those second-grade hogs on the market?—A. There is none of them ever goes to England.

Q. I am told there is a substantial amount of them?—A. No. You see, those seconds that go to England would be entirely shops and butcher hogs.

Q. That is what I am saying?—A. Bacon hogs, I mean; out of the 50 per cent, there would not be anything of that lower 50 go to England.



*By Mr. Sommerville:*

Q. Do you mean to say make Wiltshire sides out of bacon hogs and selects only?—A. In the main, yes.

Q. In the main; do you not make some of your Wiltshire sides out of butcher hogs?—A. No, I don't think there would be—you see, you are asking questions that really have no importance.

The CHAIRMAN: Oh, no, no. It is for you to answer.

The WITNESS: Well, the answer is no.

*By the Chairman:*

Q. The answer is no, meaning that you do not?—A. Yes.

*By Mr. Senn:*

Q. What about heavies?—A. There are no heavies; the kind of heavies that are discounted do not go to England; there are heavy Wiltshire sides in the selects and the bacons.

Q. They are trimmed down to conform to the weight?—A. Yes.

*By Mr. Sommerville:*

Q. Now, Mr. McLean, you said for the most part that bacon headed for the English market was made out of bacon hogs and selects?—A. Yes.

Q. What is the least part made out of?—A. The which?

Q. You said for the most part these were made out of selects and bacons; what is the least part made of?—A. I do not think there are any Wiltshire sides going to England that would not have been bought amongst the selects and bacons.

*By the Chairman:*

Q. None at all?—A. I don't think anybody could answer that question absolutely, because you don't follow your individual hogs, and there might be a regular grading, and all of that.

Q. Would you say definitely there were none?—A. Yes.

Q. That is that?

*By Mr. Kennedy (Peace River):*

Q. Mr. McLean, a little while ago—A. I should like to explain about those seconds, Mr. Stevens—I have cut in twice when you were talking, sir.

Mr. SOMMERVILLE: Perhaps you had better answer Mr. Kennedy.

*By Mr. Kennedy (Peace River):*

Q. A little while ago you were telling us that there was a great deal of common interest between the packers and the farmers?—A. Yes, if I believe anything, I believe that.

Q. We were discussing, a little while before, that the question of profits; then we discussed the question of the loss to the farmer of 3½ cents a carcass. I wonder if you would file with us a financial statement for the year, and every year since 1927, I think, when Canada Packers was organized?—A. Yes.

Q. And I think I should also like to see its salary list?—A. Yes.

Q. The list of accounts; I don't know if it is a fair statement to make—possibly you can say it is not correct—but I have been informed that your own salary, for instance, is \$50,000 a year?—A. Well—

Q. And that you have certain other interests and certain other companies with which you are associated. I may say that that is one of the things, and

possibly you want to say something about it, that has created the feeling amongst some farmers that there is not this common interest which ought to exist between the two branches in the livestock industry?—A. I don't know what your policy is going to be in regard to salaries. If you wish to investigate salaries, I have not got the slightest objection to that. My salary, as it happens, is not half of \$50,000 a year.

Mr. KENNEDY (*Peace River*): It is well that we should know that.

Mr. FACTOR: What is the capitalization of the Canada Packers Limited?

The CHAIRMAN: Suppose we ask, Mr. Factor, so that we will have it absolutely right, that Mr. McLean file these statements, the annual statements of the company?

The WITNESS: I will be glad to.

Mr. FACTOR: Will that show the capitalization?

The CHAIRMAN: Yes, we will see that it does.

*By Mr. Young:*

Q. Before we leave this matter, there is a question or two that I would like to ask; you told us this morning that the price of bacon in England rose from 40 to 90 shillings in a year?—A. Yes.

Q. That is an advance of 50, or advance of from 4 to 9, or five points?—A. Yes.

Q. You told us also that the price you paid for hogs—A. 40 shillings.

Q. —that is equal to an advance of 4 to 9?—A. Yes.

Q. Or five points?—A. Yes.

Q. You told us also the price you were paying for hogs went from 3½ to 9½, or an advance of 6 points?—A. Yes.

Q. You have increased the price you receive for your products by five points; you have increased the price you pay to the farmer by six points; and I suppose when the market is going the other way you will reverse the process?—A. But Mr. Young, you will see that the unit is not the same; the shillings are per 112 pounds, and the cents or dollars are per 100 pounds; that would be corresponding.

Q. Pretty nearly corresponding?

The CHAIRMAN: Gentlemen, we have persecuted Mr. McLean physically pretty severely. I wonder if there would be any objection to a little recess.

Mr. FACTOR: Will that financial statement that Mr. McLean is going to file, give the number of employees in his packing plant?

The CHAIRMAN: Yes.

The WITNESS: Any information you want.

*By Mr. Ilsley:*

Q. I have here your sixth annual report and balance sheet?—A. What year?

Q. For the year ending March 30, 1933. And you state in this that from the time of your merger in 1927 until the present the number of operating plants has been reduced from 9 to 5?—A. Yes.

Q. The number of persons in head office staffs has been reduced from 797 to 374, and the number of employees has been reduced from 3,641 to 2,483?—A. Yes.

Q. That is about 33 per cent. The number of road salesmen has been reduced from 317 to 194?—A. Yes.

Q. And your total reduction in operating expenses has been \$7,000,000 per year, the equivalent of 40 per cent?—A. Yes.

Q. But that the volume has gone down and that accounts for your estimate at 20 per cent?—A. Yes.

Q. Now, that means a very important economic condition effected in the department—the packing industry—as far as those four companies are concerned?—A. Yes.

Q. Now, I want to ask you this question—it may be a difficult one to answer. Has the farmer got the benefit of those economies to any extent?—A. It is not difficult to answer at all, because I can give you the exact figures. Prior to the merger these four companies combined were making a loss of a million dollars a year—I think that is for a period of three years, we calculated. Since the merger—the figures are given there—

Q. You have been making a profit?—A. We have been making a profit each year—The figures—if you haven't got it I could find it—\$900,000. Is it not \$900,000?

Q. The average profit per year is \$900,000?—A. The shareholders involved have a benefit of \$1,900,000 a year. The rest of the benefit has gone to the farmer.

Q. Where is the rest of the benefit?—A. There was a total saving—a total reduction in expenses of \$7,000,000.

Q. Per year?—A. Yes. And remember that is not all saving because there has been a reduction in volume. But one cannot be absolutely mathematical on this, and there is no question that in addition to the benefit to the shareholders there has been a very good benefit to the farmers.

Q. Yes, but now look: you have merely paid the farmer the market price through these years, have you not?—A. Yes.

Q. And your competitors have paid the market price?—A. Yes.

Q. How has the farmer got any benefit from this particular merger?—A. Don't you think it all relates itself to this principle I have been talking about all day, that while we provide for all that it can be sold for we reduce the cost of fabricating it, of putting it through; therefore, the farmer gets more.

*By Mr. Young:*

Q. And your profit per pound decreases?—A. No. Before the merger operations all the companies taken together were making a loss. There is a loss converted into a profit. The loss per pound is given there.

*By Mr. Ilsley:*

Q. If your theory about the price paid the farmer in Canada being fixed by the price paid in the British market for the finished product is correct, then you must have reduced the spread?—A. Yes.

Q. Between those two by reason of this merger; is that correct? You must have done that. You must have reduced the spread between what you paid the farmer and what you got from the British market by reason of the merger?—A. By reason of reduced expenses.

Q. Is that correct?—A. Yes.

Q. Your competitors must have done the same?—A. The competitors, perhaps, did not make a profit.

Q. You think you have put them in a position where they are making larger losses?—A. Well—

Q. You do not know?—A. I do not just follow that thing through. If the competitors are making a profit, they must be operating as cheaply as I was.

Q. The thought that comes to me is, would still further combination be of any advantage to the pork producers, the farmers of Canada? If you can effect such economies as that by the merging of four companies, why should not all the companies be merged?—A. If you could depend upon getting adequate management—permanent adequate management—it would be a great advantage to the farmers to merger all the operating companies.



Q. What proportion of the business does your company do in Canada?—

A. Oh, it is a pretty small proportion of the total business.

Q. I see, according to this statement, you have a profit of 5 per cent since the merger on the shareholders' investment?—A. Yes.

Q. Owing to the carrying of the plants at their old value?—A. At their old value less depreciation. At the depreciated value at the time of the merger, less the depreciation that has been written off since.

Q. I see there is an item in your consolidated balance sheet of land, buildings, plant, equipment and so on based on appraisal 1919 to 1927, \$18,870,909.40, and you are only using five out of nine plants?—A. That is reduced by the depreciation item.

*By Mr. Sommerville:*

Q. That is reserve?—A. No, it is not reserve.

*By Mr. Ilsley:*

Q. Your five per cent is based on a lot of useless plant?—A. Oh, yes, because we bought those plants, and it is a good deal better to close a plant that is not needed than to keep operating it.

*By Mr. Sommerville:*

Q. But your overhead does include a large quantity of useless plant at the present time?—A. Well, one useless plant.

Q. And it also covers other operations of the plants that are not needed at the present time?—A. Well, that is true in every business.

Q. And that, of course, adds to the permanent overhead that you must meet, and that must necessarily enter into your costs?—A. Yes.

Q. And must necessarily affect the return that you make to the farmer for the commodity?—A. Exactly.

Q. In other words, I presume if you were building a model plant to-day for doing the volume of business that you are doing for handling this British bacon, you could put up a plant that would cost probably a quarter of your present plant cost, or your present equipment, or a third?—A. Yes, it would not be that much.

Q. It would not be that much. I said it would be a third.—A. It would not reduce the plants a third.

Q. Well, you answered it would not be that much.—A. I mean the reduction would not be a third.

Q. It would be a reduction to one-third I said; on the volume of business you are doing, with a model plant, the cut would probably be one-third the cost of the plants that are now on your books.—A. It is purely hypothetical. That is not a fair question to ask me without giving me a week to figure it out.

Q. At any rate it would be substantial?—A. Yes.

*By Mr. Ilsley:*

Q. But you think this spread between what the farmer actually gets and what you get in England could be reduced very materially by a further degree of merger?—A. Yes. Remember, I am just speaking of it now as a purely operating problem, and I am not speaking of the difficulties of management because management is developed by competition, but if you eliminate those factors, if you do not consider them, you could probably operate the packing industry of Canada on 60 per cent of the plants that are now operating.

*By Mr. Sommerville:*

Q. And that would mean that 60 per cent of the overhead and expenses would be saved?—A. No, no, it would not mean that.

Q. 40 per cent?—A. No, no, because you still have to carry your plants, but you would not have the unnecessary expenses that are entailed to operate an unnecessary number of plants.

*By Mr. Senn:*

Q. What about the problem of distribution in that case?—A. Well, if you were doing this, if you were planning a packing industry for Canada, you would keep one plant in Edmonton where now there are three; and you would have a plant in Calgary, and you would still have a plant in Moose Jaw and Regina; you would still have plants at all the places where your plants exist now.

*By Mr. Sommerville:*

Q. Now, Mr. McLean, one of the questions asked by a member of the committee is, who fixes the price of hogs each day, the price that you will pay each day?—A. My answer to that would be 10,000, and I don't know who they all are.

Q. Well, who instructs your buyers each day as to the price they will pay?—A. Our General Manager and our Provision Manager have a discussion every day, perhaps three or four times a day with the hog buyer.

Q. The chief hog buyer?—A. The chief hog buyer, and they discuss the situation and what the price is, and so on.

Q. And they fix then the price that they will pay for hogs that day?—A. Oh, no, it is not quite so simple as that; but they decide what price they think they should pay for the hogs under the existing conditions.

Q. And then that is subject to the competition they meet on the open market?—A. Yes.

Q. The only place that they come into contact with open competition on the Union Stock Yards we will say at Toronto is where there are similar buyers from Swift's and Whyte's?—A. Yes.

Q. Now then, at the conference before the buyer goes on the market is there a limit set within which he shall buy or pay?—A. Oh, there might be. If we have a very firm view that we do not want hogs at a certain price the buyer might be told "don't buy a hog for that price," but ordinarily all the factors are discussed and he is told to buy them at so and so if he can, or as near to that as he can.

Q. Yes. Then is there any conference held at any time with the buyers or representatives of Swift's or the other packers, as to the price to be paid?—A. Well, of course, these men are on the yards all the time buying the same animals, or buying hogs, and I haven't any doubt they discuss the markets every day. As to a conference or an agreement in regard to price there is no such thing and never has been in Canada.

*By Mr. Factor:*

Q. What about the Packers' Council, do they discuss the price?—A. Never. I would like to have the opportunity, Mr. Chairman, before I finish up of telling you just what the Packers' Council does, because I have a note of it here.

*By Mr. Sommerville:*

Q. Alright, we will be glad to have that, but just dealing with this question for the moment you say your buyer and Swift's buyer—and they are the largest buyers on the Toronto market are they not?—A. Yes.

Q. And those two buyers meet and they discuss several times a day.—A. Oh, no, I did not say that at all. I said they meet each other in the yards a dozen times a day, and I haven't any doubt they discuss, they talk about the



price of hogs; they are doing the same job exactly. What I am saying is, that in regard to any combined action as to either buying or selling packing house products there is none and never has been.

Q. Just let us deal with livestock for the moment. The suggestion has been made time and again, Mr. McLean,—A. Ever since I have been in the business—it used to be the beef trust; that is not just the phrase now; but there is a very general impression that there is a combination either intimate or less intimate and an understanding as to livestock prices. There is none.

Q. Then did you ever sit in at a conference, or do you know of any conference at which any of your buyers were instructed to pay just a certain price and to see Swift's buyers with respect to that price?—A. You see, you can ask me a lot of questions here, and it is difficult for me to answer meticulously. I am telling you, I am not going to go behind this general statement; if you give me the particular thing you have in mind I will give you the frankest comment I can make on it.

Q. We want to be ultra fair to you, Mr. McLean, we do not want to have you misunderstood in your answer, or in any way misinterpreted.—A. Alright. My answer is this, that there is no combination, or that there is no agreement in regard to buying with buyers in the packing house industry.

Q. Well then, may I ask you this: Do you know whether or not or have you heard that your buyers compare figures with Swift's buyers on the Union Stock Yards and settle on the price from time to time during the day?—A. No, I would say that they do not.

Q. You would say that they do not?—A. Yes.

Q. We want to be fair with you, Mr. McLean, as I say.—A. I am more anxious than you are in this. I want to be absolutely definite, because if you are seeking for a method of improving the livestock industry it does not lie along that line because there is no such thing as a combination in regard to buying.

Q. Well, you know the problem and you know the question that has been raised?—A. Yes.

Q. And we want in fairness to you to give you every opportunity to answer it. Then, Mr. McLean, does this thing happen, that sometimes there are a great many livestock on the market and that your buyers go on the market up and down the alleys looking at the stock and then just withdraw and don't bid?—A. It frequently happens.

Q. It frequently happens?—A. That sounds like a rather damaging thing, but that happens in regard to every buyer of every commodity. If we do not want livestock we do not buy them; if we do want livestock we do buy them.

Q. Does it happen that your buyers withhold buying in the morning and wait until the afternoon to buy when the market may become draggy? and when they may get them at a lower price?—A. Well, if our buyers are anxious to buy cattle they go out and buy them; if they are not anxious to buy cattle they do not go out. They just take their time.

Q. Why wouldn't they be anxious to buy cattle? Your packing plant is running and you require a large quantity every week. Why wouldn't they be anxious to acquire those cattle?—A. Now, let me explain that to you; we try to run our beef business so that we always have fresh beef, and so that our beef does not get stale—I cannot think of the exact word, but that is how you avoid losses—that is a sovereign way to avoid losses in the beef trade, by not having stale beef in your coolers.

*By Mr. Young:*

Q. You do not buy cattle and keep them until it is time to kill them?—A. We do that in a way too, but we try to adjust our killing to our trade. You see we have to kill in advance of our selling, and every Monday morning, and every



morning for that matter, we try to estimate what our outlet for beef is going to be, and we adjust our buying to that, you see, and we adjust our killing to that. Now, we try as near as we can to finish up with a certain minimum of beef in our coolers on Saturday. We frequently finish up with a lot of beef in the coolers on Saturday, and probably, as it almost invariably happens when you have a big carry over of beef, you are liable to have a big run of cattle the next Monday morning, and then you can't expect the beef buyers to be very eager for cattle. One thing happens just as quickly as the other, when we have made a good clean up we often find that the following Monday morning there is a light run of cattle and every one of the buyers is out in the alleys just as soon as the gong sounds. That is the whole story; that is what happens, and that is all that happens.

*By Mr. Sommerville:*

Q. So that when the suggestion is made that your buyers deliberately withhold from buying until late in the day, that is not for the purpose of affecting the price of the market?—A. That is not a fair statement, or a fair résumé of what I have been saying at all.

Q. I was not attempting to make a resumé?—A. This statement has been made a million times, ever since I have been in the business, that the packers adopt tactics that seem to be unfair tactics. Now, these tactics are not unfair. All these buyers don't want cattle, are not eager to get cattle, and that is exactly what they will do, they will wait until—there is nothing iniquitous, there is nothing dishonorable about that—when they want cattle they go after them, when they don't want cattle they don't go after them.

Q. And that change may take place between ten o'clock in the morning and three o'clock in the afternoon?—A. What do you mean, what change?

Q. From the time they don't want cattle to the time when they do want cattle; they may not want them at ten o'clock and they may want them very badly at three o'clock?—A. It might happen, that would be unusual. Sometimes we are loaded with beef in our coolers, and that is what determines whether we are eager buyers, or not.

Q. It is sometimes said, for instance, that your buyers agree with Swift's buyers, or the buyers for other packers; that they will only buy a certain percentage of their requirements on Monday, the opening day of the market? What do you say as to that?—A. I do not think that has ever occurred. That is one thing that there is no foundation for.

Q. No foundation for?—A. No.

Q. I am mentioning these various subjects that have been brought to our attention so that you may have the opportunity of giving us your statement with reference to them. Then, from your statement, there is therefore nothing in the suggestion that your buyers ever meet with your competitors' buyers to fix prices; and there is nothing in the suggestion that they ever meet for the purpose of fixing the percentage you buy each day?—A. No.

Q. And that your buyers and the Swift buyer act independently all the time?—A. Absolutely.

Q. And there is open and direct competition all the time between them?—A. Yes.

Q. Without any fixing?—A. Yes.

Q. Now, Mr. McLean, may I ask you, is there ever any arrangement among your buyers, or among the trade, that the hogs from a certain district shall go to Swifts and that Canada Packers will get the hogs from another district; in other words, that the Canada Packers will stay out of the field at certain stations, and Swifts will stay out of the field in other stations, so that there will not be competition for the hogs?—A. There is no arrangement whatever.

What happens in practice, of course, is that we have drovers who have shipped their hogs for many years; perhaps a year, perhaps two years, perhaps twenty, to Swifts, the same drovers, they are just established connections that have proved mutually satisfactory; and the same drovers ship hogs week after week. That applies to every packing house that is in business.

Q. Then, has it ever come to your knowledge that any of your officers have intimated that if Swift's buyers will stay out of the territory where your drovers are shipping, your buyers will stay out of the territory where Swift's drovers are shipping to them; nothing of that kind, there is no allocation of territory then one to the other?—A. No, absolutely.

*By Mr. Senn:*

Q. Just a moment please, Mr. Sommerville, I have one question which might amplify that. Have you any knowledge of your buyers collaborating with Swift's buyers, or the buyers of any other packing concern, to stay out of certain alleys in the stock market?—A. Oh, no, the competition is to get into the alleys; of course they get turns; that is arranged between the commission men and the buyers. So far as any arrangement between the buyers goes, there is none.

Q. Then, they do at certain times take their turns going down certain alleys and staying out of certain alleys?—A. That is done by the decision of the commission men who own the alleys.

*By the Chairman:*

Q. You mean to say that the commission men invite the buyer to stay out of an alley?—A. No, but commission men may arrange in advance with the buyer of our firm or Swift's, that he will have the first look over his alley in the morning.

*By Mr. Sommerville:*

Q. A commission man may give preference to Canada Packers or he may give preference to Swift's?—A. Yes.

Q. On the cattle in his alley?—A. There may be an arrangement in advance.

*By Mr. Senn:*

Q. I have heard a great deal of criticism of that practice?—A. I have heard plenty of criticism of all these things. I have heard thousands of times, ten thousand of times, but the point is there is absolutely no basis in fact for that.

Q. You would say that it does not work to the injury of the producer?—A. No.

Q. Or consignor?—A. I do not think there is as competitive business in Canada as the packing house business; I do not think there is any other business as competitive as the packing house business.

*By Mr. Sommerville:*

Q. Have you heard of this practice, that your buyer goes up an alley—say he is given the preference, and he goes up an alley and makes certain bids for the cattle, looks over the alley, and makes a certain bid, and then he waits until Swift's buyer has gone up the alley and has made certain bids and the two of them compare the bids they have made in the cattle in the alley?—A. That is absurd.

Q. That is absurd?—A. Yes.



Q. The statement is made?—A. I am not saying you are absurd in making it. It carries an absurdity—

Q. That information has been given to me, and that is why I am making it?—A. It carries this absurdity on the face of it, because Swift's buyers and our buyers are in competition for these cattle, and they are trying to outpoint each other in their buying.

Q. Is it a fact, Mr. McLean, that both of you might keep your buyers from buying until after the market report has gone out from the union stockyards to the other stockyards in Canada, intimating that there is a substantial supply of cattle at Toronto; that the market is draggy; that there is no bidding and leaving it to the other markets to be affected by that?—A. I do not think any packing house man ever thought of that in his life. That is something somebody has thought up for him.

Q. At any rate, you do not know of that?—A. No.

Q. With reference to the question of beef, I understand that 90 to 95 per cent of the beef produced in Canada is consumed in Canada?—A. Oh, more than that.

Q. More than that?—A. Yes.

Q. Ninety-eight per cent?—A. Yes, ninety-eight per cent, I guess.

The CHAIRMAN: Sometimes.

*By Mr. Sommerville:*

Q. At any rate, it is practically all consumed?—A. For the last four years.

Q. And that being so, it is not affected by the export market?—A. No.

Q. In the same way as the pork situation?—A. No.

Q. It is affected more by the domestic competition?—A. Yes.

Q. And it is more largely, then, in the hands of the packers, unaffected by foreign competition or foreign export prices?—A. All right. I do not know just what you mean by placing it that way, but it is the packers who sell it.

Q. And packers who buy it?—A. Of the 98 per cent I do not suppose packers sell more than 25.

Q. They are the largest buyers?—A. The largest buyers but their total retail for cattle, the total retail of that naturally, of all the beef used in Canada, would not be more than 25 per cent.

Q. That is to say, on the markets, that are sold on the markets?—A. No, that much sold in Canada.

Q. Well then, what proportion of the cattle sold on the market is handled by the packers?—A. Oh, about—I do not know, but I can get you the figures.

Q. Would it be more than that proportion?—A. Yes.

Q. Fifty per cent or 60 per cent?—A. Probably, yes. I would rather you would ask me to get you those figures.

The CHAIRMAN: We will get them, precisely.

*By Mr. Sommerville:*

Q. At any rate, you form the largest buyers on the open market in the stockyards?—A. Yes.

Q. And your competition fixes the price generally of cattle in Canada upon the open market, and upon the stockyards?—A. Yes.

Q. And that stockyards price is the price that is used usually for settling the price paid for cattle bought in the market?—A. Well, it is hardly so clear-cut as that. I should think on the whole the cattle that are sold on the market have a higher price than the same grade of cattle that are sold in the villages and towns. They do, too, because there is more expense on them.

Q. And more competition, likely, to bring about a better price?—A. Yes.



Q. Now, Mr. McLean, it has been brought to the attention of the committee, and we have scores of resolutions from different parts of the country, saying that if all the cattle were sold on the public market instead of being sold in the farmers' yards, there would be more competitive bidding, and therefore a better price paid for cattle. What do you say as to that?—A. Well, I think I would go back to the principle that I have been citing so many times. I do not think that the particular method of buying has much to do with the price. I think it is determined—I do not know just how. I cannot follow out all the details—but it is determined by the price that can be obtained from the public for the beef.

Q. If that is so, how do you account for the very low price to which cattle went in Alberta and the west during this spring and summer?—A. Very simple.

Q. It went away down to something like \$2.00 a cwt?—A. Yes.

Q. Perhaps you can help us on that, Mr. Kennedy?—A. I think it is very simple. Many members of the committee know just as well as I do the reason. It is because there is a surplus of cattle. There are more cattle than this country will absorb, more cattle, in the country than the country will absorb as a beef product, except by very low price, and the price has to be put lower and lower, and naturally the consumption picks it up. It is the same thing exactly as existed in the hogs a year ago now, in January and February last years.

*By Mr. Kennedy (Peace River):*

Q. Mr. McLean, you said something about what we ought to be doing to improve the quality and standard?—A. Yes.

Q. Don't you think that the Dominion department of Agriculture is doing pretty well along that line now? Have you any suggestions to make?—A. Yes, I think I have, and I would like to make suggestions. You are speaking of hogs?

Q. Yes?—A. Yes. I think I have. There is more co-operation between the federal and the provincial departments of agriculture now than there has ever been before, largely by reason of the good price of hogs; but we have been 15 years at it, Mr. Kennedy, and the job might have been done long ago. There is no question of that. It is not a six month's job, or a one year job, but the job might have been done long ago, and I am convinced—you see, this is what I was particularly anxious to give this committee—I am convinced that the chief deterrent factor which holds us back now is the lack of confidence between the packer and the farmer.

Q. Largely due to the drop in prices?—A. Well, it is largely due—I will express it this way; it is largely due to the farmers not thoroughly understanding the drop in prices. You see, he thinks that the packer has trimmed him.

Q. Yes?—A. I know.

*By Mr. Sommerville:*

Q. Mr. McLean, you have an interest in the subject of livestock marketing? Have you any suggestions to make to the committee in addition to what you have already said about improving the quality of hogs? Have you any suggestions to make to the committee that will help the committee in its researches for the improvement in the marketing of livestock?—A. Yes, I think I have.

Q. What is that?—A. Well, it is difficult to improvise things or speak offhand, and be very fundamental; but this is a job that I spent my life on, and if I have not got suggestions on that, I have not got them on anything. I think the fundamental disability that we suffer from in the livestock industry, and I include myself in the livestock industry—I think of the livestock industry chiefly as being composed of two branches, the producer and the packer. Now, it is quite true there are important links, such as the transportation companies

and the stockyards company and the drover, and all of those. These are very important, but there should be collaboration and co-operation of action between all the factors that enter into it. But the main thing and the main cause for the fact that Canada has not realized on her livestock possibility hinges on this fundamental thing, that the farmer and the packer have never succeeded in Canada in reaching a basis of mutual confidence and co-operation. I am not saying it is the farmers' fault. I am not trying to assess the amount of responsibility for it. All that I am trying to do is to say that it is costing Canada in hogs alone \$12,000,000 a year, which the farmers of Canada are losing. If I were on this committee, I think I would look upon that as being the chief problem of the committee, and the most constructive thing that could be done. If you decide that there is a weakness in the packing industry, let the packing industry be changed. If anybody else wants to own the packing industry, it is a very easy thing to acquire the shares that are in the packing industry, because the shareholders in the packing industry as a whole would be quite willing to sell. I do not believe that, when you thoroughly investigate this thing, you will find that the solution of the problem does lie with changing either the practices or personnel of the packing industry. I am inclined to think that it lies along the line of extending more clearly to the farmer those fundamental things that I have been talking to you about to-day, particularly the fact which the farmer realizes in an indefinite sort of way—the farmer knows in an indefinite sort of way that if he improves his livestock, somehow or other it will give him a better price, but he does not know that he is losing \$12,000,000 a year.

*By the Chairman:*

Q. There is not much encouragement to the farmer when he ships 300 or 400 of the finest steers to the market and gets  $1\frac{1}{2}$  or 2 cents a pound for them?—A. Of course it is discouraging when prices are low; but it does not do a bit of good when those prices are low to say, "Well the packer is responsible for those low prices," if the fact is that the packer is not responsible, does it? You must remember that a year ago the packer was being blamed for the price of hogs. The packer was not responsible for the low price that hogs were selling at any more than he was responsible for the advance in prices. The packer did nothing to raise the price of hogs from  $3\frac{1}{4}$  cents to  $9\frac{1}{4}$  cents, nothing whatever. I am inclined to think that no sufficiently serious effort has ever been made in Canada to expose those things and put the facts about livestock in a way that the farmers cannot misunderstand. You see, it is a very much simpler thing for anybody who has contacts with the farmer, and particularly for the man who wants the farmer's vote—it is a very much easier thing to encourage the farmer to believe that there is some violation in the conditions, and that somebody is giving him a deal that is not a square deal; but we have been on that track for thirty years and it has got us nowhere. I would like to be a member of a committee like this myself, and I would hope that it would be possible, somehow or other, to devise a plan for getting these fundamental facts about the livestock industry to the farmer, because the welfare of the farmer and the welfare of the country depend upon it.

*By Mr. Ilsley:*

Q. The only co-operation that you have advocated is educating the farmer?—A. Yes.

Q. That is all you have said?—A. Yes.

Q. That is not co-operation; I thought you were going to give us some means of co-operation or some form of co-operation?—A. Let me answer your question, Mr. Ilsley; who can improve these hogs and get this \$12,000,000 a year? How can it be done?



*By Mr. Sommerville:*

Q. When they are improved—let us assume they are improved—the improvement will improve the getting of prices for them?—A. The price will come automatically; it has come all this year.

*By Mr. Young:*

Q. Without any improvement in the hogs?—A. There has been a slight improvement going on all the time; but whatever our hogs were worth, it comes automatically.

*By the Chairman:*

Q. Will you apply that to cattle, though?—A. Yes, absolutely.

Q. Because the hog market is confused?—A. No, the hog market is not confused at all. The hog market is clarified. A year ago everything that you are saying for cattle now, would have been said about hogs. I want to make it perfectly clear that the packer had nothing to do with advancing the price of hogs. He was the instrument through which that advance was recorded, because he was the man who killed the hogs and sold the bacon. Now, in regard to cattle, we all know perfectly well what the explanation is for the low price of cattle. Canada has a surplus production of cattle of about 250,000 a year; and every year, up until 1929, Canada shipped either to the United States or to England—principally to the United States—250,000 cattle. The Fordney-McCumber tariff cut off—at first partially cut off and finally entirely cut off—our outlet of cattle to the United States; and the only outlet for cattle that we have got at the present time is a very limited outlet to England, very useful so far as it goes. If we could ship another 100,000 cattle a year to England, our cattle would be 3 or 4 cents a pound higher.

*By Mr. Sommerville:*

Q. That is taking away five or ten more of the tops?—A. Yes, the surplus.

Q. That would raise the whole?—A. Would raise the whole.

Q. Would raise the price of the whole market?—A. What we have to do is find some way to clear our surplus. The United States has always been looked upon, and has always been geographically the natural outlet for our surplus cattle; but that market is unfortunately cut off. I don't know—Mr. Stevens would know much better than I do—but I am sure that the government have been working hard on this and negotiations are probably in progress now with the United States. If we had an outlet there for 100,000 cattle a year, which would be a flea bite in the United States, it would make all the difference in the world in our cattle prices.

*By the Chairman:*

Q. In the absence of that, your theory is that the law of supply and demand must control?—A. The law of supply and demand does operate. Now, it might be possible to do something else in regard to that, to adopt some other plan to get rid of that surplus. That is something that must be done by the government and not by the packers. I am not suggesting that I know of any plan. There have been a good many plans tried in the United States to lift livestock prices but they have not been very successful, quite recently. I am not saying that it would not be possible to do something, because the surplus is not large; 100,000 cattle would do the trick for Canada.

*By Mr. Senn:*

Q. This morning you said that the export price was the basis of the domestic price for hogs?—A. Yes.



Q. In consideration of the fact that at the present time the market in the United States is lower for cattle than it is in Canada, how would that raise the domestic price?—A. It would not, if that is the case. I doubt if it is. But it is not enough higher to be a very useful outlet. If we simply get 100,000 cattle out of the way, just as we got butter out of the way last fall at a loss to the owners of the butter,—the fact that the butter was out of the way made a short supply of butter in Canada and has resulted in a price of 29½ cents for butter to-day.

*By the Chairman:*

Q. Now, are you through? Have you finished your statement?—A. Well, if you will just bear with me—you have been very patient with me, and I hope you will not have many days as dull as this—I would like to say one word about the packers' council; that is an organization that Mr. Factor spoke of, and I said I would speak of it. The packers' council is called the Industrial and Development Council of Canadian Meat Packers. The secretary of it is Mr. Todd. It was formed immediately after the war. Mr. Todd throughout the war was secretary of the food board or whatever they called that organization. The packers came in very close contact with them through that, and after the war, chiefly on account of the very matters we are discussing to-day—on account of the suspicion and the abuse, I was going to say, of the packer, the packers decided to form a council, an organization which was called the council, to put the facts of the livestock trade before the farmers. The council has been operating ever since, that is fifteen years; and it has been endeavouring ever since to put these facts before the farmer, and that is the sole function of the packers' council. It has nothing whatever to do with the associations of any other plant or of all of the plants. Its sole purpose is to convey, or to distribute to the farmers what they consider is essential information regarding the livestock industry.

Q. Educational?—A. Yes.

*By Mr. Ilsley:*

Q. Has it tried to influence legislation at all?—A. No, it has never made an effort to influence legislation in any way. I would like to say this, that Mr. Todd, the secretary of the council, is a farmer. He was born on a farm. He is a graduate of the O.A.C.; he was later in the Department of Agriculture at Ottawa. Mr. Todd could not be paid enough money to do anything except in the interest of the farmer. Mr. Todd is a farmer, he is not a packer, and the only thing that the packers ask of him is to advance the interests of the livestock industry generally in Canada.

*By Mr. Young:*

Q. Could you furnish us with a chart showing a steer and what you would pay for it, how you cut it up, what you get for each part after the disposal?—A. We do not cut it up. We sell the carcass, but I can easily give you that.

The CHAIRMAN: You mean break it down?

Mr. YOUNG: Yes, break it down.

The WITNESS: We do cut up the hogs. We cut the hogs and we put them into belly and back and the hams and the shoulder and so on. We put all these things in cure, but we sell the beef as a carcass. That goes to the butcher. He cuts it up. It is easy enough to get the cuts and the proportions and what prices they sell at.

*By Mr. Young:*

Q. The farmer would be interested to know what the consumer ultimately pays for every part of the hog he sells.

*By Mr. Sommerville:*

Q. But you could break it down to show the exact record of a purchase of a load of hogs, their prices and their sale in England?—A. Oh, yes; I can give you that in half a day.

Q. You identify these loads?—A. No, most loads are not identified, but it is not necessary. You know what percentage the hogs dress out, and you know the price. It is a simple thing.

*By Mr. Senn:*

Q. Just along that line: when hogs were \$3.50 and shop hogs and light hogs were being paid for at a considerable decrease under the bacon price, could you give us the price realized by you for those hogs?—A. Oh, yes.

Q. Could you give us examples of that?

*By the Chairman:*

Q. You mean typical examples of each grade?—A. It would be better to give you our average price for all the products of that kind. We can easily give you that.

Q. Could you break down each grade for us?—A. Yes. We can easily give you that. I will undertake to give you that information. I think I know what you are looking for and I will undertake to give you all of that.

*By Mr. Factor:*

Q. Have you any suggestion to offer the committee how to dispose of the surplus capital, the \$100,000 that you said would help the market?—A. I am not a statesman; I am just a packer. That is something for the government.

*By Mr. Sommerville:*

Q. Mr. McLean, I just want to ask you this: You spoke to-day of the hog that you bought being sold in England two months hence.—A. About that.

Q. Does it take that long to process and to get pickled, cured and shipped?—A. It is not two months, it is about six weeks.

Q. Is it that much, Mr. McLean?—A. Oh, yes.

Q. You buy to-day?—A. Yes.

Q. You kill to-morrow?—A. Yes.

Q. How long from the time of the kill till the time of the cure, how long is that process?—A. You will have it in your coolers about two days; it is chilled, then it is cut and trimmed and then goes into the curing vats; it is cured for about ten days, then it is taken out and is drained for two or three days; then it is loaded on the car and it takes it about a week to get down to Saint John.

Q. Just let us get that. Two days in the cooler; how many days in cure?—A. Ten.

Q. Then you take it out of the cure?—A. Two days draining.

Q. That is fourteen days, and after cooling it is ready for shipment?—A. Yes.

Q. And then the time taken to ship from here to England?—A. Would be about seventeen days.

Q. That is thirty-one days?—A. Yes.

Q. And you ship on consignment?—A. On consignment, yes. It is all shipped on consignment.

Q. And it is sold on day of arrival?—A. It would be sold within perhaps a week or three or four days after arrival.

Q. So that would be thirty-four or thirty-five days, or thirty-one days from the date of the kill to the date of arrival in England?—A. Well, it is about six weeks.

Q. About thirty-four days; that would run about five weeks.—A. Well, I made a mistake—

Q. I mean, you get your money back in approximately five weeks?—A. No, you would probably have another three weeks before you get your money.

Q. Well then, the sale takes place five weeks after— —A. Your profit or loss is recorded.

Q. Within five weeks?—A. Yes.

Q. That is the process?—A. Yes.

The CHAIRMAN: Gentlemen, we have given Mr. McLean a very long day, and I want to thank him for his attendance here and for the time he has spent.

The WITNESS: Mr. Stevens, I would like to thank you for the opportunity you have given me to do something that I have been very anxious to do. In regard to the opening, to the discussion about wages, I still say that I do not think that we are agreed on that. I think the statements made by Mr. Laver were entirely inaccurate and very unfair to us.

The CHAIRMAN: We won't open that again to-night.

The WITNESS: I do feel very grateful, however, for the opportunity you have given me, the unqualified opportunity you have given me to explain what is very much in my heart with regard to the livestock industry.

The CHAIRMAN: The Committee will stand adjourned until to-morrow morning, and the first witness will be Mr. Cook, President of the Canadian Association of Garment Manufacturers, and he will be followed by a representative of the Retail Merchants Association.

The Committee adjourned at 6.30 P.M. to meet again Thursday, March 8, at 11 o'clock A.M.



HOUSE OF COMMONS, ROOM 368,

March 8, 1934.

The special committee appointed to inquire into price spreads and mass buying met at 11 o'clock a.m., the Hon. H. H. Stevens presiding.

Mr. Norman Sommerville, K.C., of Toronto, appeared as counsel for the committee.

The CHAIRMAN: Order, gentlemen. I have the minutes of the last meeting, showing certain exhibits and referring to the witness present. They will stand approved unless there is some objection.

A letter has been received from the Deputy Minister of Labour regarding the question of the fair wage clause in contracts, which was asked for the other day, and will be referred to the counsel for study, with the other material on that subject.

This morning we have Mr. Cook.

WARREN K. COOK, called and sworn.

*By Mr. Sommerville:*

Q. Mr. Cook, what is your position in the clothing industry?—A. I am president of the Canadian Association of Garment Manufacturers.

Q. And what branch of the industry does that cover?—A. That covers all the needle trade industry, both men's and women's wear, boy's wear, all branches.

Q. How broad is your membership?—A. We have a very comprehensive membership, I think, including probably 75 per cent of the production of the industry; not in members, but in production.

Q. And it is a national association?—A. Yes, it is a national association.

Q. With members from coast to coast?—A. Yes.

Q. You desire to present some facts to the committee on behalf of your association?—A. I think, Mr. Sommerville, that it might be safer for me to state that in appearing before the committee here I also represent the National Fair Trade Council. There are reasons for which I will explain later. The National Fair Trade Council is an organization which is now in the process of formation by those who believe that the independent retailer is the most important factor in our system of distribution, and who regards the growth of large department store organizations, mail order houses and chain stores as detrimental to the general interest of the country, including the interests of the consumer. This organization is being supported not only by independent retailers, but by manufacturers, wholesalers and others who regard the large organizations to which I have referred as economically unsound and socially undesirable.

In referring to department stores, we have no criticism to offer of the single unit department stores, but have particular reference to organizations who not only operate huge department stores under one management, but also operate a mail order system extending from coast to coast, with a large number of order-taking depots. One such organization owns and operates another chain of

department stores located in the principal cities of Ontario. They also operate a chain of grocery stores or rather groceterias, and still another group of small stores located in the smaller towns; and have in addition salesmen canvassing throughout the length and breadth of Canada. They also own and operate their own factories, producing many lines of goods. I think it can be safely said that in no other country of the world is the merchandising of consumer goods so dominated by one organization as in Canada. The operations of this and similar organizations affect, directly or indirectly, the interest of every man, woman and child in Canada.

The largest of such companies, operated as it is as a private organization, little is known of the volume of business it transacts or the extent of its profits in the past or present. We are convinced however that investigation will show that its influence on Canadian industry and trade since it has attained semi-monopolistic proportions, has been disastrous; and that its operation, particularly during the past years of depression, has been one of the chief contributing factors towards the degradation of labour in practically all lines of the production of consumer goods, and the ruination of manufacturers and independent traders.

The other great organization of similar character may be subject to the same criticism, only in a lesser degree due to its smaller size. The predatory price-cutting carried on by these firms wherever they came in contact has resulted in suffering and loss to tens of thousands of other producers and distributors.

Last week you heard the sordid story of the condition into which workers have been brought, a condition which was attributed by practically every witness to the operations of these companies, together with the operations of chain stores. You will hear this week from representatives of the retail trade, the effect which these organizations have had on independent retailers from one end of the country to the other. It appears appropriate, therefore, that some general statement should be made at this time as to the effect of their operations on manufacturers who are entirely dependent on the various methods of distribution from the outlet of their product.

Before giving a few examples, I might say that during the past few months I have discussed this subject with hundreds of manufacturers. Most of them tell the same story of unfair and unethical treatment. When, however, during the past few days, I have asked these manufacturers to furnish me with more detailed information which I could lay before this committee I have found that in every single instance the greatest reluctance, and in most cases alarm, at even the possibility of facts in regard to their particular ill-treatment being brought to the attention of this committee. They have been so dominated by fear of these great organizations that they have begged me to refrain from mentioning the facts which they have already given me. They have good reason to fear the ill-will of these organizations, and their domination of retail merchandising in Canada is so great that it is practically impossible for any manufacturer making consumer goods to build up a substantial business without their favour. This in itself is evidence of an unhealthy state of affairs. This fear, I might say, is similar to that referred to by witnesses last week, which prevented workers from complaining of their ill treatment by their employers for fear of losing their jobs.

It is a fact, however, that manufacturers, particularly those in the needle trade industry, are definitely in sympathy with some plan of control which will eliminate the unfair, unethical and disastrous results of mass buying. This is indicated by the replies to a questionnaire sent out to the needle trade industry in July, 1933. Exhibit No. 33.)

Q. July, did you say?—A. July of 1933. This was sent out by the Canadian Association of Garment Manufacturers. I have a copy of this questionnaire and



a summary of the replies with me, and I will file it with the committee with a few comments. This information, of course, was given in confidence, and it has been tabulated with a code indicating the class of manufacturer; and we are also submitting the names of the manufacturers, but it is distinctly understood that these names are not for publication.

This evidence I submit as proof that the manufacturers in the needle trade industry are most desirous of eliminating all these sweat shop conditions, and further as proof that such conditions have been forced upon them by the unsound method of mass distribution.

As further evidence of the fact that the manufacturers in this industry are wholeheartedly in favour of some legislation as referred to in the questionnaire to improve the present conditions, I submit a copy of a letter sent out by this association in November, 1933, to which I received 279 replies unanimously in favour of endeavouring to secure legislation as before mentioned.

I am also convinced by the statements made to me and from the letters I have received from manufacturers of other lines such as furniture, rubber goods, hardware, that in practically all classes of consumer goods the same conditions prevail. They are very reluctant to give anything, but this letter might be used as an example:

We certainly appreciate what you have done on behalf of the furniture industry so far, and we want to let you know that we will do anything in our power to assist you with this matter. Of course, we are very delighted to learn that there is to be a wide-open investigation and trust that it will be successful. We also hope that it will include the furniture business which trained observers tell us is one of the worst, if not the worst in the country.

We trust that it will be possible to appoint a special commissioner for our own industry, and you can rest assured that he will have our fullest co-operation. We will go to any length or trouble to give him data and also to supply him with any evidence which is in our power to collect. Due to our very close connection with the large retailers, we feel that we will be in a position to procure information which other manufacturers might not be able to obtain for you. On the other hand, it is, of course, absolutely necessary that everything be done in the strictest confidence and that our name be divulged in no way whatsoever for obvious reasons.

That is the substance of that letter. This questionnaire which I would like to file with you is something I would like to make a few comments on. This was sent to the needle trade industry throughout Canada.

Q. In July, 1933?—A. In July, 1933. That was before this committee was thought of, so the answers were given without any fear and without any thought that they might be used at this time, of course.

#### *By Mr. Factor:*

Q. Sent by whom?—A. The Canadian Association of Garment Manufacturers, to the needle trade industry.

The first question was: Are you in favour of the needle trade industry in Canada sponsoring and promoting an industrial recovery bill similar to that recently enacted as legislation in the United States? The replies to that were 89 per cent in favour, and only three said no.

#### *By Mr. Ilsley:*

Q. What is meant by the an industrial recovery bill?—A. You will appreciate that at the time the Industrial Recovery Bill of the United States was very prominent in the minds of the manufacturers, and we were merely using that to get the idea before the manufactures. They were in favour of some measure that would help.



*By Mr. Sommerville:*

Q. That was sent out in July?—A. Yes.

Q. And the recovery bill, the N.R.A., came into effect on the first of July, in the United States?—A. Yes.

Q. In this particular industry?—A. Yes. The second question was: Will you support the efforts of the Canadian Association of Garment Manufacturers in endeavouring to have an industrial recovery act made effective in Canada? In reply to that, 93 per cent were in favour, and only two said no. The third question was: Are you in favour of a code of ethics drafted by the traders of your group and made effective by act of parliament? To that question 95 per cent reported in favour, and only one said no. The next question was: Are you in favour of standardization of hours and wages throughout the industry. To that, 95 per cent were in favour, and two said no.

Q. 95 per cent?—A. 95 per cent were in favour.

Q. Just to get it down on the record, 95 per cent were in favour, and 2 per cent—A. Two out of the whole group said they were not.

Q. Two or 2 per cent?—A. Two persons. The next question was: Are you in favour of collective bargaining and co-operation with organized labour in promoting an industrial recovery bill? To that 80 per cent reported they were in favour of so doing and 12 manufacturers said no. Then there were some questions that were not particularly important. Another question was: What do you consider the most outstanding evils in the industry? That is important, of course, but I think it can be dealt with more fully in some of the other questions. Another question was: What are your suggestions as effective means for curing or lessening them (the evils)? Who is most responsible for the conditions, manufacturer or distributor? Why? Then this most important question with which we are dealing is: Are the large buying organizations such as departmental or chain departmental stores injurious or beneficial to the success of the needle trade industry, and why? I will just read a few of these replies. I would say I have not tabulated them, but I think there are about 98 per cent saying that they are injurious. I will just read a few of the illustrations:—

The large buying organizations are a menace to the trade by being able to undersell the small retailer by being in a position to dictate prices to the manufacturers; also legislation should be passed that no retail organization should be allowed to operate their own factory in competition again the legitimate manufacturers.

Then, another from a manufacturer of ladies' coats, I presume:

Departmental or chain departmental stores always expect to buy goods cheaper than the specialty stores which are their strongest competitors. They find a way out, "cut the manufacturer's throat." One of our largest retail distributors practices different methods by which to squeeze the manufacturer and also forces him, indirectly, to sell his product to them without a profit, if not below cost. It is a well known fact that a group of buyers from this firm is going around from one showroom to another, looking at the market, and if the product cannot be purchased at their price, they sample out the line and no sooner it has reached their respective departments than it is immediately forwarded to their factory for copying purposes. This is a case which would be worth while investigating. In our estimation they are the greatest illegitimate competitors we have in Canada. They also had a "whip" for the manufacturers as well as for their own competitors.

Q. While you are dealing with that question of samples, what does that mean, that expression of sampling out?—A. It means that they will go—you

probably do not realize that there is no other trade probably in the world, I don't know of any, in which an organization can go about, say to the 10 best manufacturers in Canada making, we will say, ladies' dresses or suits, and by looking over their line select ten of their best styles, buy ten if you will—sample out, that is the expression—take them to their own place and call for their own manufacturers and say, "Boys, there they are, look them over, help yourself."

*By Mr. Young:*

Q. Take their style or pattern?—A. Take their patterns, take their designs, have them made in their factories, and they may be independent manufacturers.

*By Mr. Sommerville:*

Q. Does it cost the manufacturer much to get these designs and evolve these styles?—A. Yes, a great deal. It is in ladies wear manufacturers particularly. They visit the American market.

*By Mr. Young:*

Q. What do they do there?—A. The same thing; they buy models, garments; they have certain manufacturers in New York with whom they have arrangements for buying their styles.

Q. Buy the model garment and copy it?—A. Yes.

Q. This firm buys one from you and copies it?

Mr. SOMMERVILLE: No.

*By the Chairman:*

Q. As I understand it, the manufacturer goes to certain places where he buys them as models?—A. That is it.

Q. And he pays a price as a model?—A. Yes.

Q. And he buys it for the purpose of producing it in his own factory, that model?—A. That is right.

Q. And the prices are very large prices, I am told?—A. Yes; price does not make any difference; buying for models, it does not matter what price he pays.

Q. Perhaps you could give us an illustration of how he does it?—A. That depends on the merchandise; it may be a dress or underwear or a lady's coat.

*By Mr. Young:*

Q. Take the case of a lady's dress and give us a concrete example of how you get the model for the dress, what you paid for it, what you did with it, what you sold for to the department store and what they paid; follow one case right through?—A. I am not in the dress business.

Q. Take a man's suit?—A. A man's suit—we don't do that, not men's suits. The policy of the dress, and the cloak and suit houses is simply as I have stated, that they have an arrangement with the manufacturers in the same line in New York; they will go over to New York and go through their line and select dresses they think would sell in Canada.

Q. Models?—A. Yes, models, just one of each kind. That is the arrangement on which they largely work. Then they bring these model garments into Canada and sometimes they are re-exported, but that is not material here.

*By Mr. Sommerville:*

Q. I presume an investigator could get that?—A. The investigator can get that, take one model dress and follow it through.

*By Mr. Young:*

Q. We want to know exactly what is the difference between a thing you do in New York, and the thing this departmental store does with them?—A. By the men going to New York—that is another country—they are not in competition. They buy this with that definite understanding that they are models. They do not conflict with the institution which is making them. They are not selling their styles. They are buying them for a definite purpose, for the purpose of copying them. That is recognized and known.

*By Mr. Edwards:*

Q. Paying a certain amount for the cost of designing?—A. Yes, that includes cost of designing.

*By Mr. Sommerville:*

Q. Do these models run into hundreds of dollars?—A. Yes.

*By Mr. Young:*

Q. But they buy before they do go into the retail store and buy one of these dresses and bring it home?—A. Well, you see, they buy them before they are even in the retail stores; they have an advance showing of the retail garments before they are even shown in the New York market.

Q. This department store that buys them from you gets them as sort of second hand—they are not a new style then?—A. Well, they are pretty hot.

Mr. FACTOR: Mr. Chairman, do you intend to appoint an investigator? Mr. Sommerville said something about an investigator.

The CHAIRMAN: We will decide that. Of course we have got auditors at work, and we can add an investigator to their staff if it is desired.

Mr. YOUNG: Is an auditor in a position to investigate a thing like that?

The CHAIRMAN: No. We can add an investigator to the staff; we have not at the present time.

*By Mr. Kennedy (Peace River):*

Q. I understand the point you have made is that in the one case the model is bought, and it is perfectly understood between the buyer and seller that it is a model?—A. Yes.

Q. And the other case it is not?—A. In the other case it is just bought.

*By the Chairman:*

Q. And appropriated?—A. Yes.

*By Mr. Factor:*

Q. Do you know of any more cases where the departmental store would go to a manufacturer, buy their dresses and then copy them and give them to its own plant to manufacture?—A. The manufacturers in both the suit and dress business tell me in meetings, group meetings, that this is a common practice. Since I am not in that business, I must accept their word for that, on their statements.

*By Mr. Young:*

Q. That being the case they must be prepared to come here?—A. They will be prepared to give you the names. We have the names of these men. If I might just indicate this by a personal experience of recent date. A manufacturer of ladies' underwear had made up a new style—this was within the last six weeks—he had spent a good deal of time planning and preparing this,



and he took it to a department store and submitted a sample. He was asked if he would leave them for a few days, and when he came back a few days later, he was told, we cannot buy any of these just now. About a week later he found these new styles on sale in that store, and one of the employees in the department casually remarked to him that she had seen his own garments in their factory. This gentleman decided that he was going out of business, the phrase he used was, going back to the farm—I don't know how he was going to make any money there.

*By Mr. Factor:*

Q. Do you know that of your own experience?—A. Not only that, but I will give you the name of the manufacturer.

*By Mr. Young:*

Q. We will bring him here with proof?—A. You can bring him here, sir.

*By the Chairman:*

Q. Do the same conditions obtain in the furniture industry, do you know?—A. I am told by a furniture manufacturer that the same condition does exist. For instance, they will take an article that is made of solid walnut—a book case, it may be—and take it to a smaller manufacturer, or another manufacturer, and get it copied in gum wood or some other wood, and make it look the same.

*By Mr. Young:*

Q. And put it on sale as solid walnut?—A. I would not say solid walnut, but in pictures they look just the same, you know.

*By Mr. Sommerville:*

Q. I interrupted you that time when you were reading the answers from the manufacturing firms, Mr. Cook, to these questions. Now, will you just continue the presentation of typical answers which you received from manufacturers to these questions as to the effect of mass buyers?—A. Here is a manufacturer who says: "It is injurious in piracy of styles taking from one manufacturer and going to other manufacturers to get cheaper prices."

Here is another one: "Injurious. With dresses if they have to pay a fair price for a dress, they give the repeat business to another manufacturer who makes it for less, or else make some in their own factory."

*By Mr. Factor:*

Q. In a case where a manufacturer does that he is practically guilty of certain unethical practices, where he knows that the style comes from another manufacturer and he goes ahead and manufactures for a departmental store?—A. Unfortunately, Mr. Factor, the conditions of the dress business force many manufacturers to do things that are very unethical and unsound, which they would not stoop to do if they were not driven into a corner.

*By Mr. Young:*

Q. Are styles protected in any way by copyright or patent?—A. No sir.

Q. Could they be?—A. I doubt it very much. Now, here is another answer:

They are the real causes of all the horrible conditions in the industry through their methods of buying. Group buying has forced wages down and has put more manufacturers out of business than any other thing.

Q. "Group buying," will you explain that term, please?—A. That is a very fundamental term, and it means a large number of stores, or a group of stores, who get together and buy in one unit, thereby having a very large buying power and dangling large quantity orders before the manufacturers.

MR. SOMMERVILLE: That is what you refer to as mass buying?

*By Mr. Heaps:*

Q. It is not the mass buying that put them out of business; is it not rather the price?—A. Price is the result of mass buying, Mr. Heaps; it is that which brings about the result—the price.

*By Mr. Factor:*

Q. Mr. Heaps means it is not the quantity buying that is doing that, but rather the price at which the business is placed?—A. There is a great misconception of the various advantages of mass buying. It is not the quantity that makes any great difference, it is the club of mass buying that flattens the prices down.

*By Mr. Senn:*

Q. When you say mass buying do you mean small independent retailers grouping together and buying in large quantities?—A. Fortunately in this country we have been spared that terrible experience up to the present time. Some of them have endeavoured to get the smaller manufacturers together and it has been done in the grocery business.

Q. With the small retailers?—A. It has been done in the grocery business to a considerable extent, but in other lines I would not say it has developed appreciably in Canada. In the United States it is becoming a most vicious system. It has enabled some of the smaller manufacturers to compete with these large manufacturers, but it has been disastrous on the producer and on the worker.

*By Mr. Young:*

Q. Do you mean to intimate that the operations of a voluntary group buyer is injurious?—A. I think the voluntary group buyer injures the worker and the producer, and it does not benefit the independent retailer; so far as the manufacturer is concerned we agree it is just as bad, but that is a secondary, a lesser evil, inasmuch as it does help somebody.

Injurious as setting sale prices—

*By the Chairman:*

Q. From what are you quoting?—A. I am still quoting from that questionnaire.

Q. That is all right, go ahead; I just want to get clear on the record that these are quotations.—A. "Injurious as setting sale prices by heavy sacrifice purchases which the average merchant must compete with. Thus forces the producer to lower his price below the safety level."

*By Mr. Sommerville:*

Q. You say they are demanding one hundred per cent mark-up; does that they were all from one person; this is another answer?—A. Yes. "Injurious. They make it impossible for the small retailer who is the backbone of the country to exist under present conditions." Of course, there is the odd one who says they are O.K.; and if you will look in the other comments you will find they are not O.K. I will file this with the committee.

Here is another one:

Mostly injurious under present conditions. They are demanding fifty to one hundred per cent mark-up—on staples this is unfair. Quality is secondary (mostly buying prices).

*By Mr. Young:*

Q. You say they are demanding one hundred per cent mark-up; does that mean that they cut the price?—A. They cut the manufacturer's price.

Q. What do you mean by fifty per cent mark-up?—A. I mean this, that they will go to the manufacturer and insist on buying goods on prices that will enable them to get a one hundred per cent mark-up, and still sell at less than their competitor.

*By Mr. Factor:*

Q. Did you get any favourable opinions there in your questionnaire; does it show any favourable opinions say from a minority?—A. Oh yes, there are a few.

Q. Let us have one or two samples?—A. This is being filed.

*By Mr. Sommerville:*

Q. We will have them all?—A. You will have them all, yes. This man says: "They are beneficial, prompt payments, intelligent buyers, reliable and dependable" at the same time he says: "The difficulty in the industry is that there is no control of wages or hours, unfair returns to the stores, unfair competition, sweat shops, bedroom shops, lack of sanitary control by the government." At one time he is trying to believe that they are lovely men—

*By Mr. Young:*

Q. Do you say he is complaining there of sanitary conditions, and lack of government control?—A. Yes. One of the questions is, "What do you consider the most outstanding evils in the industry?"; and his answer to that statement is, "No control of wages or hours, unfair returns from the stores, unfair competition, sweat shops, bedroom shops, lack of sanitary control by government." Then he says that those most responsible are the manufacturers because they are an unorganized body—not very complimentary to our organization, but nevertheless he states it. Then he says they are beneficial.

Q. Who does he mean are beneficial?—A. The large stores, the department stores.

*By Mr. Factor:*

Q. Is this an answer to another question?—A. Yes, another question, "Are either detrimental or beneficial."

*By Mr. Young:*

Q. Read what he says into the record?—A. He says, "They are beneficial, prompt payments, independent buyers, reliable and dependable;" and on the other side he says "unfair competition, sweat shops, and what-not." Another one says, "They are injurious to the trade unless they manufacture themselves."

*By Mr. Factor:*

Q. What is that last one?—A. "Unless they manufacture themselves."

Q. In other words, the evil is two-faced; because they manufacture themselves?—A. Those who do not manufacture themselves he does not consider very injurious; those who have their own manufacturing plants are considered very injurious.

Mr. YOUNG: Why are they injurious?

Mr. FACTOR: You heard Mr. Cook give examples as to that when he referred to pirating models and making them in their own plant.

*By Mr. Young:*

Q. This man does not make that complaint though?—A. It has been found that when it is possible for them to make them for less in their own factory, they will take the new styles and save themselves the trouble.



Q. Is that the way these firms get their styles, or do they maintain offices in New York, Paris and at other places?—A. I fancy they maintain their own offices in New York, Paris and other places.

Q. And in spite of that they find it pays to pirate models?—A. Unquestionably. This is another illustration of the effect of large buying power, "Injurious because of price slashing."

*By Mr. Sommerville:*

Q. Yes. At any rate large buying power is what has been referred to as beneficial?—A. He considers it beneficial.

Q. Beneficial in one sense, perhaps?—A. Usually you will find, Mr. Sommerville, that those who are so favourably inclined are so probably for three years, until they go out of business. It is pretty generally accepted that those confining their business to such outlets usually last about three years.

Q. Confining their business to large buying outlets?—A. Yes.

Q. At any rate, you have all the answers there; will you let me have them?—A. Yes.

*By Mr. Young:*

Q. How long do those last who do not sell to the large buyers?—A. The mortality at the present time is very severe, they have been having a very difficult time the last few years.

*By Mr. Ilsley:*

Q. How long has this high mortality rate existed, has it been in existence longer than the period of depression; of these last three years?—A. It has been aggravated only by the depression, Mr. Ilsley.

Q. So from 1920 to 1930, would you say that this applied?—A. At that time there were a large number of independent outlets to which the men could sell their merchandise; but these outlets are dried up and it is not now possible to find outlets in the ordinary way as it was a few years ago.

Q. Then, conditions during recent years have been worse because of the practice of department stores who are manufacturers and of other manufacturers pirating from each other?—A. I would not be surprised, if that were the case; but I would not like to accuse them of that. I would not like to admit that they would.

*By Mr. Factor:*

Q. Well, it is a well known principle that the millinery designer will go to a window where a hat is displayed and by looking at the hat, will copy it?—A. That I am afraid you cannot stop, or consider in that way.

*By Mr. Sommerville:*

Q. From how many manufacturers did you receive replies to this questionnaire, approximately?—A. I think there are somewhat over one hundred there.

Q. So that gives us a pretty fair cross section of conditions?—A. I think an analysis of that questionnaire will show that it represents about 75 per cent of the entire production of the industry.

*By Mr. Factor:*

Q. I thought you told me you sent out 247?—A. I said we received 279 replies to a later letter.

*By Mr. Sommerville:*

Q. Yes. Now, will you please proceed with your statement?—A. Now, Mr. Chairman, there is another aspect of this problem that is fully as important as mass buying, that is mass advertising. As evidence of the way in which they use the millions of dollars at their command, may I illustrate the tremendous power of their advertising by quoting the following extracts from the magazine known as "The Editor and Publisher"—reprinted in the Ottawa Evening Journal of February 26th, last:—

A newspaper advertisement of more than 18 pages, inserted in the Toronto Daily Star and the Toronto Evening Telegram by the Robert Simpson Company, Limited, department store, on January 31, was acclaimed in Toronto as establishing a new record for the United States and Canada.

The article then gives some further details, and proceeds:—

And speaking of advertising records, it may be of further interest that no other one store in the entire world is so large a user of the daily newspaper space as either one of Toronto's two great department stores, the T. Eaton Co. Ltd., and the Robt. Simpson Co. Ltd. This has been the fact for many years.

In justification of this claim, and indicative of the huge amount of space they consistently use, measurements show that during the 12 months of 1933, the T. Eaton Co. Ltd. used in the Daily Star and the Evening Telegram a total of 5,463,283 lines; and the Robert Simpson Co. Ltd., a total of 5,065,246 lines in these two papers.

This figures out at an average of about  $3\frac{1}{2}$  pages for each store in each of the two evening newspapers every publication day in the year. And besides this large linage in the two evening newspapers, these two stores combined, used about 950,000 lines in each of the two morning newspapers during the year, a total linage in all four papers of 12,428,529 lines.

in Toronto alone. (Exhibit No. 34.)

*By Mr. Young:*

Q. Does your association object to that?—A. I am quoting these statements, Mr. Young, I am not questioning the right or even the judgment of these stores in spending this money in advertising, if they wish to do so. In fact, I am very much in favour of newspaper advertising, and appreciate very much the benefits of newspaper advertising. I refer to this only as showing their policy of endeavouring, by sheer weight of propaganda, to over-reach and submerge their competitors.

Q. Is there anything to stop competitors from taking more space in the newspapers?—A. I fancy not. You may be interested in seeing—for instance here is that issue that was referred to, and considered the largest single advertisement ever issued by any one organization in the history of the world. That is possibly rather a large statement to make, but it is nevertheless interesting on that account. The committee might be interested in studying some of the features of that particular advertisement.

*By Mr. Factor:*

Q. What is that, the Simpson's day advertisement?—A. This is one of the special Simpson day advertisements.



*By Mr. Sommierville:*

Q. You mean to tell me, Mr. Cook, that the article from which you are quoting states that the linage taken by these two stores in Toronto in the evening papers was equivalent to  $3\frac{1}{2}$  full pages of each of the evening papers for the entire year; was that correct?—A. The statement reads, Mr. Sommierville, I am quoting the particulars of the article, "This figures out an average of about  $3\frac{1}{2}$  pages for each store in each of the two evening newspapers every publication day in the year."

Q. That was all concentrated in the month of January?—A. No, no sir.

Q. I thought you were referring to the publication day?—A. I am just referring to these special feature ads that are brought out.

*By Mr. Young:*

Q. Why do people read that stuff, Mr. Cook?—A. God only knows; I don't know Mr. Young.

Q. They must have a motive?

The CHAIRMAN: It is a habit.

The WITNESS: These are rather interesting issues because it so happens they came out on the evening of January 15, and if you will remember, Mr. Stevens was in Toronto on that day and made rather a memorable speech. In looking on the inside of this page, I find a four star advertisement, and I find a nine piece walnut dining room suite advertised as regular \$165 for \$95.95. About two or three weeks later I noticed in the *Mail and Empire* a heading, "Stratford workers reduced to slavery before strike. Department stores, not manufacturer, to blame, MacArthur charges." I wonder if there is any connection with the two; I think possibly there is. I leave it for your perusal.

The statements referred to above apply to Toronto only. The use of this tremendous volume of advertising space together with the space used by their other stores throughout Canada, enabled them to break the price of any commodity, whether it be a product of the farm or the factory,—

*By Mr. Factor:*

Q. Did you say Toronto only? Do they not advertise as extensively in Montreal?—A. That is what I am stating, Mr. Factor; that this advertising that has been quoted is in Toronto only, and if you will multiply that by the various stores throughout Canada, you will appreciate the tremendous power of the advertiser, which enables them to break the price of any commodity, whether it be a product of the farm or the factory.

*By the Chairman:*

Q. Are you speaking of the large departmental organizations, store organizations?—A. The same principle applies very largely to chain stores through mass advertising. By this method they establish price levels which force down wages, turn profits into losses for manufacturers and independent distributors, and reduce the standard of living of the whole community. It is obvious these high expenses are for one object—that is, to make profits for themselves.

Q. Before you leave that, Mr. Cook, I should like to make this observation. Certainly, these samples of advertising you have handed to us are almost staggering. For instance, in one issue of the *Toronto Star* one departmental store, Simpson's, have 18 full pages of advertising. Is it your suggestion that because of this terrific amount of advertising space in the public press there would be a reluctance on the part of the press to give publicity, shall we say—

Mr. FACTOR: I do not think, Mr. Chairman, that that is a fair way of putting a question.



Mr. YOUNG: It is a leading question.

The CHAIRMAN: It is intended to be leading.

Mr. FACTOR: I do not think it is a fair way of putting it.

*By the Chairman:*

Q. Give us your opinion about that? Give us your opinion on this mass advertising.

Mr. FACTOR: I suppose he can give an opinion now.

The CHAIRMAN: What is the objection to the question?

Mr. FACTOR: There is no objection to the question; the objection is to the way you put the question. There is only one answer to it.

The CHAIRMAN: Of course there is only one answer to it. That is exactly why I asked it.

Mr. FACTOR: I do not think it is a fair way to put it. You might ask the witness his opinion without putting a leading question.

The CHAIRMAN: The chairman has not much chance of passing his own opinion, and sometimes he has to put it in that way.

Mr. YOUNG: The chairman is not supposed to have an opinion.

The WITNESS: If I may answer the question, if there is a question—

The CHAIRMAN: Go on, never mind. Some people are a little thin-skinned about this question.

Mr. FACTOR: Mr. Chairman, there is nobody ashamed of getting an answer to this question. I objected to the form in which you put the question.

The CHAIRMAN: Now, Mr. Factor, ever since I have been in parliament, which has been for 25 years, every member of every committee that I ever sat on, and I myself have always asked leading questions. Every member of this committee has asked leading questions. To talk about leading questions in a parliamentary committee is utter nonsense; however, I am not going to press it. Let it go.

Mr. FACTOR: I would like Mr. Cook to answer that question.

The CHAIRMAN: You objected to the question, and now you are asking him to answer it.

Mr. FACTOR: I objected to the form.

The CHAIRMAN: Don't answer it, Mr. Cook.

Mr. YOUNG: We want an answer.

Mr. FACTOR: I want his opinion on this.

The CHAIRMAN: I do not know which side of the problem you are on, Mr. Factor. One minute you object to the question and say I am not fair in asking it, and the next you insist upon the question being answered.

*By Mr. Factor:*

Q. What is your opinion on what you call mass advertising? Is it beneficial or injurious to the community?—A. That is rather a large question. I think it is very disastrous on the manufacturer and on the producer through the results that are produced by that advertising. As to its influence on the newspapers, I think it is very generally accepted—I do not think I need to make any comment.

*By Mr. Young:*

Q. What are your views?—A. It is very generally accepted that anything that is objectionable that refers to the departmental stores does not appear in the public press, in those large dailies.

*By Mr. Factor:*

Q. You make that statement, do you Mr. Cook?—A. I have had it made to me so often that I am merely making the statement that has been made, assuming at times there must be some justification, I suppose.

*By Mr. Young:*

Q. You refer to the practice of this firm in breaking retail prices all over the country?—A. Yes, sir.

Q. If that has gone on, then, retail prices must be down, very much down?—A. Unquestionably.

Q. Now, the Dominion Statistician was here the other day and from his index figures he told us retail prices have not gone down anything like primary products or even wholesale prices. Retail prices, he says, have declined less than anything.—A. I am rather afraid that the statistics, as I have noticed them, are taken very largely from department store returns. I think they are most incomplete and do not give a true picture of the situation.

Q. You mean to say the other firms do not report to the bureau?—A. No; the smaller concerns throughout the country that are selling merchandise cheaper do not report to the bureau. The last statement I saw—

Q. You are sure the reports come largely from figures supplied by the department stores?—A. The last report I saw in the daily press, Mr. Young, was quoting a report from department stores; it mentioned it specifically.

Q. Mr. Coats was giving us the general figure from the different firms. You say they have taken their reports?

Mr. SOMMERVILLE: I suppose you would have to have the reports before you before you would be able to give an opinion?

The WITNESS: I suggest you get that from him.

*By Mr. Edwards:*

Q. In the large advertisements that you have shown here, have you any knowledge, for instance, of the space occupied by furniture and clothing that was charged back against the manufacturer for the payment of this space?—A. I would not say that in so far as these large stores are concerned, it is applied. I think more particularly the other types of advertising or other types of stores—chain stores, we know that that does apply, but I will not be prepared to say that they charge advertising.

Q. Some of us know they do?—A. That is not to my knowledge.

The CHAIRMAN: We will get that, Mr. Edwards, when we break down the distribution of costs in the department stores. That is now being done in the audit that is carried on. Go on with your statement, Mr. Cook.

The WITNESS: Last week you heard from Professor Cassidy as to the conditions which now exist in the men's clothing industry. I would like to give an illustration, the facts of which are within my own personal knowledge, as to the events which led up to what has practically amounted to the ruination of the men's clothing in Canada. I would like to explain, Mr. Chairman, that I am merely using this as an illustration. I mean, that that applies only to the clothing industry, since I happen to be in that industry, I have more knowledge and can speak with more authority. While in England in the spring of 1931, I met the buyer for Macklin and Dyner, a Montreal woollen jobbing house, and learned through the trade that this particular firm were making exceptionally large purchases of woollens and worsteds. In the fall of the same year, probably a little later, the large department stores put on a tremendous advertising campaign for men's two trousers suits at \$20.50.

*By Mr. Young:*

Q. What month was that?—A. 1931.

Q. What month?—A. March.

Q. They were buying extensively of woollen goods?—A. Yes. In the fall of the same year, rather, about the fall, the large department stores put on a tremendous advertising campaign for men's two trousers suits for \$20.50, which, for the quality offered, was an extremely low price at that time, or extraordinarily low.

Mr. HEAPS: Made-to-measure?

The WITNESS: Ready-to-wear suits, there. I personally examined some of the suits, and knowing something of values, at least, I concluded it was utterly impossible for these suits to be made legitimately and sold at this price. I was assured by the manager of the department that they were making a substantial gross profit.

Mr. YOUNG: Can you tell us when the duty on woollen goods was raised?

The CHAIRMAN: Excuse me, Mr. Young. Let us allow Mr. Cook to make his statement. You can ask him your questions afterwards. He is in the midst of a specific case.

Mr. YOUNG: Thank you.

The WITNESS: Immediately retailers throughout Canada commenced demanding from manufacturers suits at prices which would enable them to compete. Manufacturers in desperation were willing to sacrifice their profits, cutting their overhead charges wherever they could cut, but this was not enough. Wages had to be cut, and were cut to the extent of about 20 per cent at that time in order to meet this competition. Some of the very largest and heretofore most successful manufacturers in Canada gave up the struggle and closed their doors.

It ultimately transpired that the hundreds of thousands of dollars worth of goods purchased by these jobbers had been transferred to manufacturers at a price far less than the original cost of the goods. I am not prepared to say exactly the price. At any rate, far less than the original cost of the goods. These were the materials used in the production of the \$20.50 suits referred to above. The matter came before the court. The jobbers were involved and arrested on charges of fraud. One of the manufacturers who put these goods on the market agreed to indemnify the creditors of the woollen house to the extent of about \$100,000, being a part of the amount out of which the creditors had been defrauded.

*By Mr. Ilsley:*

Q. In what did the fraud consist?—A. These goods came in the front door at one price, and went out the back door at a very much lower price than the cost of the goods.

*By the Chairman:*

Q. Before the original vendor had been paid?—A. Before the original vendor had been paid and during the immediate season.

Q. Then they went into bankruptcy?—A. Then they went into bankruptcy and were arrested.

*By Mr. Sommerville:*

Q. And the case was then one of fraud and was brought up in court?—A. It is a matter of court record, and I would suggest the committee investigate that particular subject and find out the disposition of the case. It is not here



suggested that the department stores who purchased the goods were aware of these frauds, but I am only mentioning these facts to lead up to another alleged bargain in men's suits, and to point out that the sale of these suits at \$20.50 resulted in a heavy reduction in wages to thousands of workers.

*By Mr. Ilsley:*

Q. In factories of competitors?—A. In factories of competitors throughout the country.

Q. Because they bought the goods so cheaply?—A. Yes, that is it. This special sale of men's suits was followed by another, when in the spring of 1933 a tremendous advertising campaign of made-to-measure suits at \$16.50 was promoted by one of the Toronto stores, and their stores throughout the country. (Exhibit 35.) The sale of these suits was not confined to their department stores and order offices, but special agents went through Canada soliciting orders, in many towns and cities. I have here some of the advertisements appearing at that time. I might mention that these suits at \$16.50 were made in part by one of the same manufacturers in Montreal who had contributed to the downfall of the clothing business by the sale of goods fraudulently obtained, and were partly made by other factories of the sweat shop variety outside Montreal. I have here a paper which is one illustration of the power of this advertising in forcing these suits on the public, page after page after page of advertisements. These are most interesting to read, and to me, at least, they are amusing.

*By Mr. Sommerville:*

Q. To what do you refer?—A. These (exhibiting).

*By the Chairman:*

Q. Give us an instance of them?—A. Here, is one case, for instance: famous woollens from famous makers, including thousands of yards of Canadian Woollens, Harris tweeds, Kynocks, Garnetts, Leigh, Salts, James Shires, Wode and Clyde, Fox Flannels. These are all mills that are recognized as being of a very high class, outstanding makers.

*By Mr. Ilsley:*

Q. Were these statements false?—A. I am not saying the statements were false; I am saying they are misleading. Harris tweeds, by the way, seem to have a great deal of prominence. In this particular advertisement, they are mentioning Harris tweeds. These Harris tweeds are quoted as being sold for \$16.50. Harris tweeds, and so on; they are mentioned three times in this particular advertisement. There is a little history back of it that I won't take time to tell.

Q. Were they Harris tweeds?—A. Just a little later I will give you something. I am not questioning the Harris tweeds.

Mr. YOUNG: What is misleading?

The WITNESS: I suppose there will be probably six Harris tweed suits in the lot.

*By the Chairman:*

Q. Mr. Cook, I think the members would like to know this: this advertisement which features Harris tweeds prominently implies that these \$16.50 suits are made from Harris tweeds. Is it possible to make Harris tweed suits and sell them at \$16.50?—A. No, sir. The amusing thing of this, sir, or extraordinary thing, is that a man came in to buy one of these suits there. There

was a suit hanging on the rack and he asked to try it on. He tried it on and he said, It is all right, why not let me take this one. The reply was, we cannot let you take that one, that is a \$27.50 suit; we will make one for you at \$16.50.

*By Mr. Factor:*

Q. Just about half this?—A. Just about half this.

*By Mr. Sommerville:*

Q. These are not made-to-order suits, made-to-measure, but ready made suits?—A. Made-to-order, not ready made.

Q. The orders were taken by the stores throughout Canada and then made up by this firm in Montreal?—A. Yes. My understanding of it is that a manufacturer submitting this to the stores would say, we will give you six Harris tweed suits, five Kynocks, four Garnetts, and so on, and the rest of it is catch what you can.

Mr. FACTOR: It is made in a sweat shop in Montreal, you say?

The WITNESS: I would prefer that the committee trace these back, trace the conditions and find sweat shops.

*By Mr. Kennedy (Winnipeg):*

Q. Do you know the conditions under which they were made?—A. I think they were well detailed last week by Mr. Francq.

Q. Have you investigated and do you know?—A. I know the manufacturers who make these goods; I know the conditions under which they are working, and I would definitely say they are made by people who are not earning a decent living or getting paid a decent wage.

*By Mr. Ilsley:*

Q. How are they made; are they made by contract; are those the sweat shop conditions to which you refer? Does this company let out the work by contract to contractors who operate sweat shops?—A. One of the number of companies who made many of these suits cut the suits in Montreal, and they are sent to Victoriaville to be made.

Mr. SOMMERVILLE: By the contract system?

The WITNESS: Contract system.

*By Mr. Ilsley:*

Q. I thought the company that put the advertisement in is a manufacturer itself; is not that so?—A. I doubt that they could make it in their own shops.

Mr. FACTOR: Not to sell at that price.

Mr. SOMMERVILLE: For instance, they could not make them in Toronto?

The WITNESS: I fancy not, sir.

*By Mr. Factor:*

Q. In this connection there is a two-fold objection. First of all, there is the misleading advertisement and secondly the suits are manufactured under sweat shop conditions?—A. Thirdly, they have established a price through unsound, we will say, conditions and arrangements of \$16.50, for which orders were taken all over Canada, which legitimate manufacturers could not meet and pay decent wages.

*By Mr. Sommerville:*

Q. That affected the whole range of manufacture throughout Canada?—A. That affected the whole range throughout Canada.

Q. And did it affect retailers as well?—A. Retailers were driven to desperation. They were not able to buy goods that would sell at this price. We will follow through with the examination to get that suit broken down.



*By Mr. Factor:*

Q. Before you go on with this advertisement of the \$16.50, let me ask this question: was there ever a retailer in Toronto that sold a made-to-measure suit at that price?—A. No.

*By the Chairman:*

Q. Is this break in the price due to that incident, the cloth being got under fraudulent conditions?—A. No, this is a different situation, sir.

*By Mr. Sommerville:*

Q. But this price of \$22.50 was the first break in the price?—A. Yes, sir.

Q. And that break was made by reason of what happened in Montreal in connection with this fraudulent transaction?—A. Absolutely.

Q. And then this \$16.50 suit was made, at least some of them, by the same firm, involving the other case?—A. Yes. And you will notice in every one of these advertisements, sir, that the Harris tweed is made a feature. I think probably I can tell you the reason Harris tweed is made such a feature. In the exhibition at Toronto only two years ago I was instrumental in bringing some crofters out with their handlooms from Scotland and the Island of Lewis, and they put on an exhibition with their handlooms which attracted a great deal of attention, and all the advertising since that time has always featured Harris tweeds as a particularly important factor.

*By Mr. Young:*

Q. Do you know of any particular case where they presumed to sell a Harris tweed which was not a Harris tweed?—A. Here is an advertisement of one of the stores in Toronto, comparatively recent, one of these feature sales of Harris tweeds. I might tell you that Harris tweeds are made only in 27-inch widths because they are made on hand looms. In the display in this company's store there was a Harris tweed, featuring Harris tweed, and it was 54 inches wide, so the Retail Merchants' Association of Canada called the attention of this particular firm to the fact and I will read quotations from a letter from the Retail Merchants' Association:

On Saturday morning we received a visit from the personal representative of a departmental firm, and in the interview which followed he stated that investigation had proved that our complaint was justified.

By way of explanation, however, he stated that the label designating the particular bolt of cloth as "Harris tweed" had been sewn on by the manufacturer in Quebec and not by the departmental firm. He stated further that investigation disclosed that the term "Harris tweed" was not protected in any way and that while, in the trade, it was well understood that this cloth was the product of the Scottish crofters, there was nothing to prevent a mill in any part of the world making a tweed and designating it by that name.

He claimed that the display man, upon interrogation, stated that the term "Harris tweed" seemed to him to have a selling value and consequently he gave it prominence.

*By Mr. Young:*

Q. Then have you made an effort to trace it up to the manufacturer in Quebec who put that label on.—A. No, sir, we have not the facilities for tracing it back to the manufacturer. I don't know who the manufacturer was, sir, I have no idea. I think the committee might be better able to find that out.

*By Mr. Factor:*

Q. What would the cost of Harris tweed material be in making up that suit?—A. I think that is going rather into detail, but I will be glad to furnish you the cost of the material.



*By Mr. Sommerville:*

Q. Take this \$16.50 suit, the retail store did not own the material; that material and workmanship was all supplied by some other firm.—A. Yes, sir.

Q. The retail store just took the orders?—A. Yes, they just took the orders.

Q. And they measured the men for the suits?—A. That is right, sir.

Q. And they sent the measurements to the Quebec firm?—A. That is right, sir.

Q. And they had no risk whatever in connection with the transaction?—A. I would not say they hadn't any risk.

Q. I mean, they had no material on hand?—A. They had no investment.

Q. They transmitted the order to the manufacturer who made them, in the Province of Quebec?—A. Right, sir.

Q. That is what you are complaining of?—A. Yes, sir.

Q. Particularly at this price?—A. Yes.

*By Mr. Young:*

Q. If the suit does not fit them who is the loser?—A. That is a matter of arrangement, Mr. Young. In some cases the retailer is asked to assume all the responsibility, in the case of the majority of legitimate manufacturers we assume the responsibility; if it isn't satisfactory we take it back.

*By Mr. Factor:*

Q. In that case what do you think happened?—A. I think an arrangement was made that probably they would not send them back, sir, from what I have understood. The predatory price-cutting war required that the other stores should meet this price, which they did.

*By Mr. Isley:*

Q. The predatory price-cutting war?—A. I said the predatory price-cutting war between the two large stores in Toronto required that the other stores should meet this price.

Q. You did not tell us about any war.—A. I am saying now that this condition prevails. A large Toronto manufacturer, whose plant was forced into idleness by this sales promotion all over Canada of these \$16.50 suits, agreed to supply the other companies with suits which could be sold at the same price. To do so it was necessary that wages should be cut an additional 10 per cent. This cut was later made general through all union shops in Toronto, and indirectly affected the Montreal market as well. It not only affected manufacturers making this class of merchandise, but the manufacturers who had been making lower priced goods were compelled to reduce their prices and, to do so, to cut wages, that is, establish a price standard where it was impossible to pay legitimate wages.

I believe, if necessary, I could substantiate the statement now made that these two alleged bargains meant a reduction in wages to at least ten thousand people. As a result of these two special sales, the standard of living of everybody engaged in the clothing business—whether as employers, employees, or distributors, was definitely lowered, and their purchasing power reduced. I would suggest that the committee might make some inquiry into the facts herein stated and obtain information, as outlined above.

This is an advertisement of the other company that followed suit. This, of course, is only an example. At one time it is mens' clothing; and another time womens' wear; at another time furniture; at another time automobile tires, or radios, in fact, almost every line of consumers' goods is put on in these feature sales from time to time. I am convinced that if the committee will make a sufficiently thorough inquiry it will be convinced that this vicious

system of special cut price sales has been the chief factor in reducing the purchasing power of the industrial classes in Canada. That it has reacted disastrously to farmers, professional classes, and others who are dependent upon the purchasing power of those engaged in trade and industry, will, I think, not be denied.

This special sale has progressed into the present year and we submit copies of advertising dated January 16, in Toronto, offering made-to-measure suits at \$19.50. The price, of course, has gone up in the meantime. And, at the same time, we submit an advertisement—

*By the Chairman:*

Q. January, 1934?—A. January, 1934, sir. And at the same time we submit an advertisement of the same firm in Regina offering what we are advised are the same garments at \$22.50, showing that the western consumer must pay \$3 more than those living in the east. (Exhibit No. 35.)

We further submit current advertising of February 28, sent to us by merchants in Saskatoon, showing that war is still on and that they are still featuring Harris tweeds and other special features. (Exhibit No. 35.)

*By Mr. Young:*

Q. Have these companies got stores in Saskatoon?—A. No, this happens to be another combination. But you will notice here “genuine Harris tweed tailored-to-measure suits or top coats \$25.” And turning over the page, in the same paper, you find another company “men’s spring coats made-to-measure” including Harris tweeds, Donegal weaves, and so on, \$15 to \$25. And then you turn over the next page and you find the headlines “paltry wages for Montreal workers.” And then, on the same page “girls paid as low as \$2 and \$3 per week in needle trade.” That is the explanation, I think, as to those wages. This, you see, goes all over the country, this system of advertising.

As further indication of the disastrous results of mass advertising, may I illustrate by submitting a copy of an advertising feature, as mentioned in the evidence submitted to you last week. Here is an advertisement (Exhibit No. 35), showing overcoats featuring Montagnacs, Carr’s Elysians, Crombies and English coats at \$21. That is just one single illustration, but these advertisements were spread all over the country, from one end of Canada to another.

In case members of the committee are not familiar with the particular fabrics described, I might tell you that “Montagnac” in an overcoating fabric, considered one of the finest qualities of overcoating fabric made in the world, being made by Montagnac in Sedan, France. They built this reputation after many years of intensive effort and the expenditure of much good money in advertising. Coats made from this fabric, if well made would, or should, sell ordinarily at from \$75 to \$100.

Q. And they were selling for \$21.00?—A. \$21, sir. The material alone at to-day’s price would cost the manufacturer over \$40 for each coat. This is without lining or any labour whatever in making, yet this advertisement offers them at \$21. The other fabrics mentioned are also well known makes of the highest quality, with years of reputation back of them.

*By Mr. Factor:*

Q. Is that a genuine Montagnac?—A. Oh, yes, I have no doubt it is.

Q. Offered at \$21?—A. Yes, offered at \$21. You see, there are seventy-two coats. They specify that there are 500 coats, 72 of them being Montagnacs. Carr’s Elysians, and Crombies. As to the Montagnac, I do not know how many, three or four probably, which sold regularly at \$35 to \$65.



Q. That is, they throw in a few Montagnacs?—A. Yes, that is the idea, sir. And, as I say, that is a fabric with a reputation behind it. It is made in the west of England and is recognized as a very fine high class quality. This reputation has been built up by maintaining that quality throughout the years. They are very jealous of their reputation. And, I might say, that the managing director of that company came over to Canada last year protesting against this sort of thing.

*By Mr. Sommerville:*

Q. What would be the effect upon Carr's Elysians and Crombies, and Montagnacs?—A. You will appreciate, sir, that if we have, for instance, Carr's Elysians or Montagnacs on our shelves we just cannot ask the retailer for the price; the retailer cannot possibly ask the consumer for the price that he should get for them when these stores are selling them for \$21.00, and the result is that the retailers are left with these high class goods on their hands and are forced into liquidation very often by such methods.

*By Mr. Factor:*

Q. It is the method of advertising that you are complaining of?—A. Absolutely.

*By Mr. Young:*

Q. The price cutting in this case was confined to a very few coats?—A. 72 out of 500.

Q. 72 out of 500 were sold below the regular price?—A. I will try and outline that to you here, sir. What is the object of selling these coats at this price? Obviously it is to attract men to the department to buy the other 428 coats on which they make a handsome profit, coats bought no doubt at a special price for this sale and made under conditions outlined to you last week. The plan is to fool the purchasers by offering a bait to a few so that they may catch the many. They give 72 bargains and the department piles up profits on the balance. Thus in one feature sale they ruin the reputation of high grade makers, reputations that have taken years to build; they destroy the good will of the makers and destroy the market in Canada for this type of fabric in the hands of the independent retail merchant.

*By Mr. Kennedy (Peace River):*

Q. Does the individual buyer ever get a \$75 coat for \$21, knowing at the same time that he is getting such a bargain, or possibly get a \$25 coat for \$16; does he know the difference?—A. Unfortunately, Mr. Kennedy, that is the sad part of it, so few of them do know; so few of the consumers do know when they are getting a bargain; that is the reason they can get them in and fool the public.

Q. Do they make the material to look alike?—A. I would not say that, Mr. Kennedy, that they make the material to look alike; but it is so difficult for the average consumer to know value exactly because there are so many angles that enter into it. Such unfair advertising leaves the makers of these fabrics, and the manufacturers as well as the independent retailers, helpless to protect their businesses in which they put their money, their name and their labour. Thus through one mass advertising appearing from one end of the country to the other the whole quality standard is reduced, resulting in many cases in forcing manufacturers and retailers into liquidation.

As a further example of this mass advertising we submit for your consideration some of recent date, showing the tremendous power of this advertising. (Exhibit No 35.) It is interesting to note that they are still featuring Harris tweeds as one of the great drawing cards. These are two-trouser suits at \$20.00,



and you will notice that this one is sent from Montreal this week. How can it be done? They feature Harris tweeds, West of England's, Ballantynes, Salts, and Leigh Mills, and many others, at \$20.00, suits that cannot possibly be legitimately produced and sold at this price. That is simply ruining the reputation of those mills.

*By Mr. Sommerville:*

Q. What is this, Mr. Cook?—A. Just further illustrations of advertising This only applies to clothing. Here is a group that was sent in from Winnipeg. The same condition applies to radios. It has absolutely ruined the radio business in that particular City.

*By Mr. Young:*

Q. How has it ruined the radio business,—by selling radios too cheap?—A. Mr. Young, in the radio business there are other ways and means, I understand, of doing things, for instance, by offering large amounts for old machines, and where prices are restricted they do all sorts of funny things. However, you can probably get better information on that from the radio men.

The CHAIRMAN: I think Mr. Cook had better stick to clothing.

The WITNESS: Mr. Chairman, I am going to divert only for a moment just to prove definitely that this sort of thing is not confined to clothing. I am submitting an advertisement featuring a special sale of Selby's shoes at \$6.45, that advertisement appearing the same day, by the way, that Mr. Stevens made his address in Toronto, January 15, advertising these shoes at \$6.45, and they are advertised as having usual values of from \$9.50 to \$11. (Exhibit No. 36). Our information is that these were not regular stock or regular quality, that they were made specially for this sale at about \$4.50 by the manufacturer, and that they were not the spring styles as advertised. However, that is for this committee to find out. I have here samples of those shoes. Those shoes, Mr. Chairman, were purchased after the sale; evidently the shoes were put back into stock. The bill is here with those shoes, one slip at \$8.50 and the other at \$9.50 which had previously been in the sale.

*By Mr. Young:*

Q. Are those inferior quality also?—A. I am given to understand that they are not the regular quality of Selby shoes that are advertised at \$9.50 and \$11 qualities.

Q. Those shoes were not the shoes that were sold at this sale?—A. Those shoes have the sale mark inside, and the party who gave them to me said they were the exact shoes that had been in the sale but had been left over.

*By Mr. Sommerville:*

Q. And these are internationally advertised shoes, are they not?—A. Yes.

Q. Selby is a well known name throughout the shoe industry?—A. Yes, sir.

*By Mr. Factor:*

Q. Where are they made?—A. They are made in Quebec some place, Mr. Factor, Montreal I think.

Q. Not in a factory where they pay a girl \$1.50 a week?—A. I hope not. I think that the Retail Merchants' Association can give you further evidence on this particular transaction. Now, Mr. Chairman, I will go back to the clothing business again, which is more in my own line.

I would like to submit another advertisement showing other forms of merchandising that are unsound, unethical and fraudulent. This is an adver-

tisement of a chain clothing store which operates stores throughout eastern Canada. Their plan of operation is to open stores, specially advertising suits and overcoats at \$12.50 and \$12.75. When the customer is enticed into the store by these low prices the merchandise offered at this price is such that few would buy it, but they sell them other goods at a higher price. (Exhibit No. 37).

*By Mr. Young:*

Q. The man does not come out in distress at all?—A. He should but he does not. In regard to the particular advertisement submitted I personally visited this store in company with a merchant of Montreal and inquired for one of the Carr's Elysian coats. You will notice they are also advertising Carr's Elysian's and Kynochs, and when we asked about these particular qualities they explained that they were sold out, but they offered us overcoats that were made from a shoddy material or material that included shoddy; and the price was not \$12.50 but \$17.50. This Bond Street Clothes Shop has stores all over Ontario doing that sort of business and we think it is not only unethical but that is is fraudulent.

*By Mr. Factor:*

Q. I understand they have opened twelve stores in Toronto?—A. I am not sure as to the number, but almost any vacant store they will take it for a month; they generally take them on a monthly basis.

Q. And, Mr. Cook, do you know whether it is correct that these Bond shops employ salesmen and pay them \$1 a day?—A. Judging from the salesman that was trying to sell me a coat I think that they were overpaying him probably.

Q. I understand they get paid \$1 a day and 10 cents commission on the sale of a suit or overcoat?—A. I think they would be more inclined to be paid a commission, Mr. Factor. That is the usual procedure in these kind of places.

*By the Chairman:*

Q. Mr. Cook, in regard to this particular advertisement I notice that it specifies tailored to measure overcoats Isaac Carr's, Elysians and Kynochs?—A. Yes, sir.

Q. Now, will you tell me, are these all three different trade names?—A. Carr's Elysian is one and the same thing. That is the cloth I explained a few minutes ago that is made in the west of England, and it has a 75 year reputation behind it.

*By Mr. Sommerville:*

Q. A Carr's Elysian's overcoat would cost how much?—A. The cost of Carr's Elysian would be approximately \$9 to \$10 a yard at to-day's price.

*By the Chairman:*

Q. How much in an overcoat?—A. Three yards and a quarter approximately.

Q. About \$30?—A. Somewhere thereabouts.

Q. What about the Kynochs?—A. Kynochs are a Scottish mill making very nice quality fabrics. It is a fabric that is advertised from one end of Canada to another and has a very fine reputation. I might say that they did have a Kynoch piece of clothing in the place but I do not think even an Indian would buy it because it is of such a loud pattern, in fact I am certain that they are sure nobody would purchase it.

Q. In this advertisement no other class is mentioned, merely Carr's Elysians and Kynochs?—A. That is all.



Q. The inference, therefore, is that they are offering for sale exclusively overcoats made from those two cloths at \$12.50?—A. A great many people would draw that inference.

*By Mr. Factor:*

Q. An absolutely fraudulent representation, according to this advertisement?—A. I would consider it such.

The CHAIRMAN: It certainly is because no other is mentioned. The other people had at least the saving quality when they said "and others."

*By Mr. Factor:*

Q. Where were these manufactured, Mr. Cook?—A. I think the committee should investigate as to where they were manufactured. I am not prepared to make the statement. I think the committee should have an investigator go into the matter. He would have access to their pay sheets and to their manufacturing costs.

Q. I am informed that they are manufactured in the Province of Quebec?—A. They are manufactured in the Province of Quebec.

Q. Do you know that?—A. Oh, yes, they are manufactured in Quebec.

Q. That is what I mean, all these garments were manufactured in Quebec?—A. They were manufactured in Quebec, yes.

*By Mr. Sommerville:*

Q. Then, in turn, any retailer who is selling goods at that price must necessarily buy them at a very low cost?—A. Well, this manufacturer happens to be, I believe, making his own.

Q. And at those prices it must all come out of the wages of the workers?—A. Absolutely, sir. I would like to submit to the committee a copy of a catalogue issued by a mail order house in Regina (Exhibit No. 38). I have had this catalogue very closely examined by competent merchandising men who are thoroughly familiar with the Canadian market, and I have asked them to identify as well as they can the standard lines advertised in this catalogue. It is their statement that this is just a deliberate racket.

Q. A deliberate what?—A. Racket.

Q. That is a new word to the committee.

Mr. FACTOR: There are some vituperative terms being used this morning.

The WITNESS: Well, it is their statement that this is just a deliberate racket, that much of the merchandise advertised is misrepresented, and in order that we may establish this fact we have arranged to have certain items forwarded for your inspection. In the meantime, these merchandise men have picked out a few items on which they have made comments. One item advertised on which they claim the value is \$2, the manufacturer's price on that is .96½ cents, so that if it were sold at the regular value that they claim there would be 107 per cent profit on this item. They are, however, advertising at a special selling price of \$1.45.

*By Mr. Sommerville:*

Q. And the cost is?—A. .96½ cents. Here is another item, moleskin pants. The manufacturing price is \$1.20. They claim that this is \$2.50 value or a mark-up of 108.33 per cent. They are advertising it, however, or selling it at \$1.69.

*By the Chairman:*

Q. A mark-up of what?—A. 40 per cent on the cost, on the manufacturer's cost.



*By Mr. Young:*

Q. Do other dealers sell the same article?—A. That is the sad part of it. Other dealers have these things in stock. For instance, here is a \$2 garment being sold for \$1.45. The public go into their local merchant; they see a \$2 garment in the picture, it looks the same, and they say the local merchant is a robber and all sort of things. This is what I would call a racketeering mail order business. They advertise Turnbull's silk and wool underwear, and I am given to understand by the manufacturers that they have not bought any of this underwear in four years. Then there is another shirt, rugged chambray, that costs 62 cents. They advertise it at \$1.75 regular value, over 180 per cent mark-up.

*By Mr. Ilsley:*

Q. Take that instance of Turnbull's underwear. You intimated that they have not any. Are they selling other manufacturers as Turnbull's underwear?—A. I know when they get an order for Turnbull's underwear they are all probably very fresh out of those and they get something else. This shirt was advertised at \$1.75. The manufacturer's price is estimated at 62½ cents. If they were to sell it at the regular price which they intimate as the regular price it would be a 180 per cent mark-up. They are, however, selling it at \$1 which gives them a 60 per cent mark-up. These are only illustrations of these items. We have sent for some of the principal items to be produced, and we will submit them to the committee when they arrive.

*By Mr. Young:*

Q. Is it customary on most of the goods to mark them up 40 or 60 per cent?—A. Not at all, sir. There is a legitimate mark-up. It is recognized by the trade generally. The cost of doing business requires a certain mark-up, but not 60, 70 and 80 per cent.

Q. Just these big firms that mark up for advertising?—A. No, I would not say that. These were not regular prices in these particular instances I am giving. These are not regular prices for anybody; they are just a camouflage and a certain kind of sale that I think should not be permitted. Now, I suggest when we have finished with this catalogue you might submit it to the postal department for their ruling as to whether or not the use of the mails to send out this type of advertising does not come under the provision which forbids the use of the mails for fraudulent purposes.

Mr. FACTOR: Where does this particular catalogue go to? All over western Canada?

Mr. YOUNG: And where is the firm located?

The WITNESS: In Regina.

Mr. EDWARDS: Is there any object in using that firm name Army and Navy "Mabee"; are they taking advantage of the well known distributors in England?

The WITNESS: I would think it is a very splendid name and is a recognized name in England of a very reputable concern in that country.

Mr. SOMMERVILLE: And in the west where there are a lot of old country folks?

The WITNESS: The inference is that it has some connection. Mr. Chairman, I mentioned all these things to illustrate the disastrous effects on the manufacturers as well as on the retailers. Of course, it must be—

Mr. FACTOR: And on the workmen too.

The WITNESS: On the workmen, of course, obviously. It will be said, of course, that the manufacturer is not compelled to sell his goods at cost or less,

nor the worker to sell his labour below an amount which will sustain himself and his family in decent circumstances. The manufacturer with a plant wholly or partially idle, or the worker with a hungry family, is ill-equipped to match his strength against the pressure which can be exerted by the buyer with tens of millions of dollars behind him. Huge orders are dangled before the manufacturer; the fact that cash will be paid is stressed; manufacturer is played against manufacturer. Ultimately the order is accepted by someone, and the process which you have heard described of reduced profits and reduced wages is the result. It is a vicious circle; one man accepts it and that breaks down the rest of the industry through the whole industry. During my twenty-five years in business I have had many contacts with individual buyers for these great organizations. Some of these buyers have expressed to me their regret at the methods they are compelled to adopt in order to make profits for their employers. They know that their jobs are secure only so long as their departments are profitable. They have seen their predecessors or buyers from other departments dismissed time after time, not through any lack of knowledge of their business, but simply because they were not sufficiently hard-boiled to go into the market and obtain goods at low prices even if trickery had to be resorted to.

They have stated that due to the extraordinary heavy overhead charges against their departments they are forced to chisel the manufacturer in order that they may maintain the large profit demanded and still undersell their competitor.

As an example of the experience of many department store buyers—just last week a buyer who lost his position told me of how he went into the market, pitting one manufacturer against the other for several thousand suits and by not stating all the facts he eventually succeeded in getting most of his requirements from a manufacturer at \$10.50 per suit, a price only possible by using sweatshop labour, and then re-selling these suits at over \$20. I can give the committee the name of this buyer so that your investigators may get his evidence at first hand should you desire.

Again there is the case of a manufacturer of another line of goods who was asked for a price on 12,000 units—

Mr. SOMMERVILLE: 12,000 units?

The WITNESS: Of another commodity. I am not stating the commodity. I will give you the particulars.

Mr. FACTOR: It was not clothing?

The WITNESS: No. 12,000 units of his commodity to be delivered over a period of some months. The department store took delivery of the first two months' specifications and then requested the manufacturer to hold up deliveries for a time as business had fallen off. During the next two months the manufacturer kept pressing the buyer to take delivery, as he had the goods manufactured and ready for shipment. After several months' negotiations the department store stated they could not use the balance. When the manufacturer protested he was told if he was not prepared to cancel this order he could do no more business with this firm. He was, however, given the option of accepting a price about twenty-five per cent below the contract price for the balance. He had a firm contract and could have insisted on making delivery, but knew that that would end his business relationship with this particular firm, and as a consequence accepted the cancellation.

Mr. YOUNG: Is that a practice of the department stores to cancel orders like that when the market goes against them?

The WITNESS: I have heard many complaints along that line, Mr. Young. The manufacturer then being forced to job these goods did so at a heavy loss. If your investigators wish to investigate this particular illustration we can give you the names and particulars.



The CHAIRMAN: We will take that.

The WITNESS: There was the price of a certain standard article or furniture which had been brought down to unprofitable, yes, loss levels by the buyer for a large department store. There were a number of manufacturers making this article and they were all losing money. An interested party who knew the group suggested that they should agree to raise the price, which they did. The next time the buyer of this article was in the market he found himself faced with higher prices, which he refused to pay. He then realized that he had a few of these articles still coming to him on an old contract. These he had delivered, and taking the invoice with him, visited one of the competing plants and when the manufacturer told him that those making this article had agreed at a slightly increased price, he produced the invoice covering the goods of the old contract, suggesting that the other manufacturer had broken the agreement, as the invoice was dated several months later than the arrangement had been entered into, the second manufacturer, believing that his competitor had not lived up to the bargain, accepted a new contract at the old price. Thus by a dishonest trick he put the price of this article again below the cost of production.

These are but illustrations of the unethical and unsound buying practices of these large department stores. You get stories by the hundred, but these are only indicative of what is going on.

It is not my intention to go into the operation of the mail order or chain store organization. I am sure you will hear much about their operations from the retail merchants. I would make this clear, however, that their mass buying methods are just as disastrous to the manufacturer and labour as are the operations of the large department stores.

The question of chain stores is a tremendous problem, on which a mass of evidence can be accumulated, and which no doubt this committee will fully investigate. I might just make this broad statement, however, that in my judgment, absentee ownership is fundamentally wrong in principle, and I am quite sure it will be fully demonstrated in this investigation that it is not only detrimental to the independent merchants, manufacturers and labour, but that it is, as a system, a serious menace to the whole commercial and social structure of Canada, and as such should be controlled.

*By Mr. Factor:*

Q. What do you mean by absentee ownership?—A. I mean stores that are owned by central organizations. Absentee ownership means chain stores that are so owned by a central organization or department stores that are so owned—any store in which the proprietor is not actively engaged in the business.

*By Mr. Young:*

Q. Would you apply that to other industries as well, say manufacturing?—A. Mr. Young, you must differentiate between manufacturing or production of goods and the distribution. The same principle does not, in any case, apply; there is an entirely different principle involved.

Q. Will you just explain how the community suffers from absentee ownership of a store and not of a factory?—A. I might tell you it is almost impossible to enter into a lengthy discussion of this, because there is a very great problem of economics involved. I have discussed it for hours, and almost days, with economists who will not agree—many of them—on the principle; so it would be utterly impossible to enter into any clear cut, definite statement about this problem in the short space of time that we have at our disposal. It can be very clearly defined, however, that as far as the store absentee ownership is concerned, that in place of the tradesmen in the town—who is the backbone of the community—getting the profits from the transactions that are



carried on, these profits are transferred to a large central organization; and in place of having a man earning a living, a decent living, and keeping up a family, they are managed by rubber-stamp managers who are paid a very low price. It kills the initiative or opportunities for the younger generation who may want to enter into business and develop personalities. There is no opportunity at the present time, or very little opportunity for the young men coming up in these smaller towns and communities, of developing their personality and ever having an opportunity of becoming business men, or other than just clerks in stores.

Q. Would the same thing not apply to a factory that is absentee owned?—

A. No, the same thing does not apply; although I think that branch factories are very disastrous too; I would say to a certain extent it would apply.

*By Mr. Heaps:*

Q. If I may ask a question, do you find in your particular industry, which may be termed a secondary industry, that you have to buy your supplies from the factories of large manufacturers, particularly in the textile trade?—A. Mr. Heaps, there is another very difficult problem involved there of efficiency and of production, which makes it possible for manufacturers to produce things more cheaply and more efficiently, so that more people may have them.

Q. What I am getting at—perhaps I didn't put myself on record as I should have—were you compelled to buy your cloth for the manufacture of suits from certain manufacturers in this country?—A. Oh, no, we are not compelled to buy from them.

Q. Do you find any difficulty in obtaining goods from the manufacturers?

—A. No.

*By Mr. Edwards:*

Q. Is it not true that the textiles are produced not in large centres but principally in small centres and towns?—A. Very largely.

Q. So that the distribution of these manufacturers throughout these different communities is very vital to the community?—A. That is right.

*By Mr. Heaps:*

Q. Have you any difficulty in obtaining goods for manufacture in the industry which you represent?—A. No, not very much.

Q. Would you be able to get what you want?—A. Yes.

Q. In sufficient quantities?—A. Yes.

Q. And at a price that is satisfactory?—A. Well, I would hate to admit that, because we are always—

*By Mr. Sommerville:*

Q. —trying to meet competition?—A. Trying to meet competition.

*By Mr. Edwards:*

Q. One other matter; you referred to the fact that the sales of articles at special prices, below cost has affected the retailers; does the source of supply of those articles frequently originate from bankruptcies?—A. Not to any great degree.

Q. Not to any appreciable degree?—A. No. There are a number of retail bankruptcies that are used—I can give you one illustration as far as fake advertising is concerned and the disastrous results of it. We had a case in Toronto where a retail merchant made an assignment and he had two suits of clothes—this was a clothing business—two suits of clothes, \$34, when he made the assignment; yet that firm carried on a bankruptcy sale for months and months, with a tremendous amount of advertising, and that I think is very unsound.

*By Mr. Kennedy (Winnipeg):*

Q. You made reference to a case in the courts of a fraud charge; was not the source of supply there in preparation for bankruptcy?—A. That was a definite case of that.

Q. You do not find that practice widespread?—A. Not widespread, no; but the disastrous results of one case of that is very great.

Q. In the matter of bankruptcies it has quite frequently come to my notice, practising law?—A. You mean in distributing, in retailing or in manufacturing?

Q. Well, where a man goes bankrupt and you find that there has been a very heavy disposition of his goods prior to the bankruptcy?—A. Yes.

Q. Within a few months prior to the bankruptcy, that would not be accounted for by his ordinary retail sales; you have not come across that?—A. Except in a retail way; not in the manufacturing to the same extent.

*By Mr. Factor:*

Q. What are the remedies, Mr. Cook? You have given us some unethical practices; what do you suggest?—A. Well, Mr. Factor, I suggest that at this time, while we have made very intensive studies and are trying to find a way out and are trying to find some solution, I submit that they are not sufficiently developed and it would not be practical for us to make suggestions at this time as to ways out. We would rather consult further with the group with whom we are working, and with economists and others, to try and find a conclusive answer.

*By Mr. Sommerville:*

Q. I understand, Mr. Cook, that you are making your preliminary statement as to conditions at this time?—A. That is all.

Q. And that your Fair Trade Council purposes further examination of the details of the conditions and desires to submit later a detailed statement with facts, figures and evidence?—A. That is right.

Q. Of these practices in general throughout Canada?—A. That is right.

Q. And at that time you propose to submit certain definite suggestions for improvement?—A. That is right.

*By Mr. Factor:*

Q. You are not prepared to discuss it now, for example in your particular industry; you prefer to leave that for later on?—A. I would much prefer to leave that for later on, because it would only be a very superficial sort of thing now.

*By Mr. Young:*

Q. Mr. Cook, can you give us the volume of business that the clothing manufacturers did, we will say five years ago, and the volume they did last year?—A. Mr. Young, there is a report by Professor Cassidy, which has been filed, which gives the complete history of the clothing business, with the capital and the shrinkage in capital.

Q. I want the volume in dollars and also in bulk. I want to know how much your market has shrunk in this time, how much less the consumer is buying, not in dollars but in bulk; I want to know where the market has gone?—A. I know that we are only getting about  $2\frac{1}{2}$  per cent of the consumer's money where three or four years ago we were getting  $3\frac{1}{2}$  per cent of the consumers' money, but that does not answer the question.

Q. No, that does not answer what I want to know. I want to know if people are buying as much goods as they used to; if they are not buying as much, I want to know why?

Mr. SOMMERVILLE: That would follow, from the wages we have been hearing about.

Mr. YOUNG: I am not talking about wages in any industry; I am talking about the whole of Canada, and I want to know what has happened to the consumer.

The WITNESS: We will be able to get the figures.

*By Mr. Young:*

Q. You will give us those?—A. Yes.

*By Mr. Baribeau:*

Q. What is the proportion of the clothing business made by independent retail merchants?—A. The proportion of business—?

Q. Made by the independent clothing business?—A. Made or sold?

Q. Sold?—A. Sold by the retail merchant?

Q. Yes?—A. I am not sure if we have those figures with us or not; I have a statement, but I don't think we have those complete.

*By Mr. Sommerville:*

Q. You will be able to furnish that?—A. Yes, but I think I had better not take the time now.

Q. That will include the sales of boys' and ready-made clothes by retail merchants as well as the sale of made-to-measure suits by retail dealers?—A. Yes.

*By Mr. Kennedy (Peace River):*

Q. In regard to these unethical practices, fraudulent enterprises and the squeezing down of prices by mass buyers or other buyers; is the situation much worse since 1929?—A. It has been aggravated very much since that time.

Q. But it was in existence before?—A. Definitely so, it was growing and developing before and it has only been aggravated during the past few years.

*By Mr. Young:*

Q. Now Mr. Cook, I have here figures issued by the Dominion Bureau of Statistics which shows that since September, 1930, and up to September, 1933, the price of farm products declined 24.1 per cent; the price of fish declined 27.2 per cent; the price of newsprint declined 37.2 per cent; copper 18.6 per cent; and raw or partly-manufactured products 19.5 per cent. Now these represent a very striking decline in the purchasing power of the people of this country. consequently unless the things they buy came down in like manner, they would only be able to buy a smaller quantity; but in looking at these figures I find that the price of woollen clothing has increased in that time by one tenth of one per cent?—A. That is not correct.

Q. That is not correct?—A. I would not say so.

Mr. EDWARDS: What is the increase in the price of raw wool?

Mr. YOUNG: I do not know.

Mr. EDWARDS: It has gone from 5 cents a year ago to 16 cents per pound.

*By Mr. Young:*

Q. This is the price of woollen clothing and as it is shown here, I think it has increased by a fraction of one per cent?—A. Since when?

Q. From September of 1930 to September of 1933?—A. That is not the case, sir.

Q. These figures are from the Dominion Bureau of Statistics, do you dispute the Bureau's figures?—A. I say I am buying cloth much cheaper during the past few years; very much cheaper.



Q. The same quality of cloth?—A. Yes.

Q. And do you mean woollen cloth?—A. Yes.

Q. Are you willing to furnish proof of that?—A. Absolutely.

Q. Mr. Edwards has just told us that the price of raw wool has gone up to 16 cents a pound from 5 cents a pound?—A. Of course over the past six months they have gone up very considerably, in the latter part of 1933 there was a very definite decline in the price of wool cloth.

Mr. YOUNG: I think that is something we should look into because the Bureau state definitely that they have gone up.

Mr. SOMMERVILLE: We will have these figures, Mr. Young.

*By Mr. Kennedy (Peace River):*

Q. There is another side to it, Mr. Cook; what is your opinion about the retail price, has it gone down during the last few years?—A. Oh tremendously.

Q. How much do you estimate?—A. I would not estimate it without going into very definite figures. Clothing is almost impossible to estimate, on account of the variations. Your manufacturers in the clothing business—I would say that for like quality of cloth and tailoring, the price has gone down very very considerably.

*By Mr. Sommerville:*

Q. The Garment Manufacturers' Association, which you represent, cover those industries in which the unions are organized generally?—A. The unions are not as strong in certain branches of it. They are quite well organized in the men's fine clothing; in the work clothing they are not organized.

*By Mr. Factor:*

Q. Professor Cassidy in his evidence the other day stated 85 per cent?—A. That is in Toronto in fine clothing.

*By Mr. Sommerville:*

Q. But there are large numbers unorganized?—A. Oh yes.

Q. And there are a large number who are not organized among the manufacturers of the cheaper grades of cloth?—A. Yes.

Q. And you have heard Professor Cassidy's report; what do you say as to the conditions in the unorganized trade as compared with the conditions which he described in the organized trade?—A. Well, the unorganized trade—

Q. When I speak of the unorganized trade, I mean those trades in which there is no union organization?—A. The conditions are deplorable, there is no question about that.

Q. Wage conditions?—A. Wage conditions. The effect of the organized union has tended to stabilize the industry very much more, particularly with respect to labour.

Q. Have you found that non-union shops have been used by the large buyers as a means of getting goods at low cost?—A. I think it can be safely said, Mr. Sommerville, that 75 per cent or more of the purchases of these large buyers come from the Province of Quebec, which until last September in Montreal was really not organized at all.

Q. Yes, and that then would have an effect upon the entire industry, whether it was organized, or unorganized?—A. Unquestionably.

Q. We have had evidence from Professor Cassidy that the unions have been obliged to recognize that condition to the lowering of wages?—A. Oh yes.

Q. And that is so generally throughout Union shops, is it?—A. Quite definitely.

Q. So it has had a tendency to bring down conditions where unions have existed because of the conditions that you describe?—A. The unions have recognized that.

*By Mr. Factor:*

Q. You mean the unions would make the best possible agreement under the circumstances?—A. Yes.

*By Mr. Sommerville:*

Q. And the unions have been permitting a variation of these agreements because of the conditions which existed?—A. Yes. In Toronto we received a ten per cent reduction in March of last year, when we had a definite agreement with them that there would be no reduction until May.

Q. Yes, because of the conditions?—A. Because of the conditions, and the things that I have described.

*By Mr. Young:*

Q. Can you tell us about what percentage of decline there has been in the price the manufacturer receives in the last few years?—A. I would not say that off-hand, I will look it up for you.

Q. And also the decline in retail prices; also the change in the cost of raw material; also the percentage of variation in wages?—A. Yes.

The ACTING CHAIRMAN: It is just about one o'clock and as I understand we are to sit again this afternoon, perhaps we had better adjourn.

Mr. KENNEDY (*Peace River*): There is just one question I would like to ask the witness before we adjourn.

*By Mr. Kennedy:*

Q. You said a moment ago that you had been discussing conditions in the clothing industry; that is, your conference. I am making rather a general question, which it may be possible for you to answer, and which it may not: What would have been the effect on the clothing industry in Canada if the price of clothing had been kept up; would you think if the price had been kept up during the last few years, that the sales would have kept up, or would the sales have gone down?—A. Mr. Kennedy, I would only answer that by saying that it is unreasonable that the clothing prices should be maintained and all other prices reduced. It is a vicious circle that is in operation, one forcing the other. It is unreasonable to expect that the men making men's clothing could buy shoes being made at a high price if their wages were reduced; so that when you buy a pair of shoes at the reduced price, the shoe-man eventually has to settle the score; and it is just a vicious circle.

Q. If wages are reduced in the clothing industry, those men must find cheaper material?—A. I make this statement, Mr. Sommerville: I have tried to emphasize it to my own wife as I tell her that every time she buys one of those bargains, she is making it that much more difficult for me to bring home a pay envelope, and if it is persisted in, I will be joining the unemployed, because it is a vicious circle that keeps working.

*By Mr. Young:*

Q. Where would you start to break this vicious circle? Give us your views on the point at which to start?

Mr. SOMMERVILLE: That will be given in his suggested remedy.

The WITNESS: That, I think, will come in the suggested remedy.

Mr. YOUNG: We would like to have the suggested remedy while Mr. Cook is here, so that it will be all continuous in the record.

Mr. SOMMERVILLE: Mr. Cook will be back again with a more complete statement.

Mr. YOUNG: How soon?

Mr. SOMMERVILLE: That is a matter of arrangement.

*By Mr. Kennedy (Peace River):*

Q. I am particularly interested in the attempt of Mr. Cook to give us the causes of this decline in retail prices and wages, and so on. First of all, is the decline due to general economic factors or is it due to the unethical practices—it may be impossible to segregate those, but there are two factors which govern, and if this committee is going to find a remedy, we will have to try to deal with both of them?—A. In my judgment, these conditions in the needle trade industry, at any rate, would have developed to practically the conditions at the present time, regardless of depression, because, if there is an increase in volume at the present time, if business gets better, we will all profit to some extent; but we will be just taking the left-overs, so to speak, and the next depression or slight falling off in business will make the casualty list just as great in each of these 1, 2, 3, or 4 stores. It works out that way, I think.

Committee adjourned at one o'clock, to meet again at 3.30 this day.

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#### AFTERNOON SESSION

GEORGE S. HOUGHAM, called and sworn.

*By Mr. Sommerville:*

Q. Mr. Hougham, you are the secretary of the Ontario Retail Merchants' Association?—A. Yes.

Q. And have been for some years?—A. Yes, sir.

Q. And prior to that you occupied a similar position with the Saskatchewan —A. Alberta.

Q. With the Alberta Retail Merchants' Association?—A. Yes sir.

Q. And prior to that?—A. With the British Columbia Retail Merchants' Association.

Q. So that you have had a good deal of experience in the Retail Merchants' Association in Canada?—A. About twenty years.

Q. Now, on behalf of the retail merchants of Ontario you desire to make certain representations to this committee?—A. Yes.

Q. Will you just proceed then?—A. I would like to say, Mr. Chairman, that had I known that the witness this morning was going to make certain statements I would have economized the time of the committee because some of what I have here is repetition, and I must ask you for your indulgence on that account.

Mr. Chairman and gentlemen, in accepting the invitation to appear before this committee to-day on behalf of the Ontario Provincial Board of the Retail Merchants' Association of Canada, we desire to express our gratification that at last the whole question of modern merchandizing is to be opened up for fearless and impartial investigation, and information which has hitherto been more or less confined to those immediately engaged in distribution, is to become public property through the medium of this committee of investigation and the Dominion parliament.



The association which I have the privilege of representing here to-day is the Ontario division of a dominion-wide organization of retail merchants deriving its powers from a charter granted by the Dominion parliament in 1905, and representing, broadly, every classification of retail trade and serving primarily the interests of individual or family owned retail establishments in two general fields of activity, legislative and merchandizing.

Recognizing that the contribution to this discussion which should be made by retailers and their association representatives is specifically described in clause A of the terms of the resolution under which this committee was created, may I now proceed directly to a discussion of that subject, that is, the effect of massed buying by department and chain store organizations upon the regular retail trade of the country.

In introducing this subject to this committee may I make it clear that my principal purpose at the moment is to describe for you a certain set of conditions in general terms illustrated by some specific instances.

My colleagues from other provinces will submit to this committee evidences of the unfair practices in their communities, statistics as to mail order house penetration, and other data peculiar to their respective territories.

Necessarily statements made here and in the form of this memorandum must be rather general in outline, but these statements will be capable of verification. May I state then at the outset that in our opinion the dominating influence exercised by the department store and its subsidiaries as well as the chain store and its units is a social menace, for the following reasons:—

1. The system has displaced thousands of individually and family owned retail establishments right across Canada. The result has been (a) concentration of buying power in certain large cities at the expense of the smaller communities; (b) a similar concentration of buying power in fewer hands and in the same large centres; (c) the concentration of capital in exactly the same manner; (d) the concentration of profits sucked from the entire country through the feeders established by the large organizations in the country towns through their branches and units.
2. It has placed definite limitations upon the expansion of those who survive.
3. Store hours have been lengthened among the survivors, and wage scales have been forced down.
4. The system operates against the development of sturdy independence of character, reducing the status of employees within these huge organizations to mere cogs in a vast economic machine and closing the field of opportunity for those desiring to enter into business for themselves, thereby arresting community expansion.

Supplementing these reasons, however, it should also be stated that the system of massed distribution has also broken down the purchasing power of the primary producer and the wage earner in factories.

Q. When you speak of mass distribution, do you mean mass merchandizing?—A. Yes.

Q. You are referring to the method of sales and distribution?—A. Yes. Evidence as to the latter has already been presented to this committee; evidence as to the former will be submitted as part of this memorandum.

Even the most casual observer of the happenings of the past ten years must be aware of the passing out of the picture of a very large number of individual or family owned stores in our various cities and towns. No statistical data is available in support of this statement because it was not until 1930 that the first steps were taken by the Dominion Bureau of Statistics to survey the field of

retail merchandizing, and even the information that has been uncovered by the retail census of that year is but preliminary and general.

As examples, however, of this displacement, may I quote from figures supplied to me from representatives of our association. This information has been obtained from responsible retailers in a number of communities.

London says that about thirty six independent downtown retailers have been displaced by chain store units in five years. They are evenly divided among shoes, drugs, groceries, ladies' wear, dry goods and men's wear stores.

Guelph says that thirteen independent stores have been displaced, that there are no independent groceries left on their main street to-day, and the store hours have been lengthened amongst the survivors in the struggle to remain in the picture.

Barrie says that eighteen independent stores have been displaced in that community in the same length of time with the same results to the survivors and the community.

St. Catharines says that seventeen groceries have been forced out of business and that 40 per cent of those still left are on a c.o.d. basis.

Q. What do you mean by that?—A. Cash on delivery. They have no credit facilities. They buy from hand to mouth and they have to pay day by day for what they buy from their wholesalers.

Four bakeries have passed out and the remaining stores are compelled to stay open to all hours in the struggle to remain in business.

These cases are fairly typical, I think, and it would be quite easy for this committee to amplify the evidence if they so desire.

May I make clear to this committee if I can what is meant by the department and chain store domination. The average citizen thinking of the department store in his community can have no conception of the ramifications of its province and dominion-wide activities sucking the very life blood of communities a thousand miles away in its insatiable greed for volume and net profits. The mail order house, twin brother of the department store, sends out its hundreds of thousands of catalogues into every community reached by the mails. These catalogues go out by the earloads; their effect is to act as a drawing magnet attracting more and more business to the central headquarters without contributing a cent to local revenue. The individual retailer, assuming his community obligations,—I mean in the form of taxes and so forth—has protested for years against this unfair competition. In recent years a further gigantic effort has been made to crush the individual retailer by the establishment of branch stores as subsidiary companies, all paying tribute, however, to the one great Caesar and if a community is not large enough to sustain a store then an order office is established as another contact point to magnetize the consumer.

The whole vast distributing machine is linked up by a trucking system reaching out into every city, town, village and hamlet of the province. An examination into this system justifies the statement that there is not a civilized country in the world whose retail distribution system is comparable to that obtaining in Canada. Department store magnates coming to Canada from other countries stand amazed at the dominance which has been built up in a country of less than ten million people by practically one large concern establishing an ever-growing monopoly unparalleled anywhere else in the world.

The inevitable outcome of the growth and power of department and chain store penetration has meant the narrowing of the consumer market for those independent retailers still surviving. The insistence by the sales directors of these large organizations upon ever-increasing volume, sales quotas, etc., exerts a continuous pressure upon department and branch managers, who must strain every nerve to excel their previous performances.



There can, in the very nature of things, be no relaxation of this intense drive for volume. Watch the advertising pages of the great stores in our metropolitan dailies, not as a bargain hunter but as a student of current commercial development, and you must become conscious of an almost shrieking hysteria, transferring to the printed page and clothed in the language of the advertising copyist, the pandemonium of barkers on a circus midway.

Mr. FACTOR: A classic.

The WITNESS: In such a pandemonium of "bargain specials," spring openings, "fall clearances," etc., what hope is there for the voice of the modest individual retailer to be heard with any degree of effectiveness? Retail distribution under such conditions ceases to be a dignified service to humanity and becomes a mad scramble for an ever-increasing share of the consumer's dollar, aided by all the modern witch-doctors skilled in the art of appealing to mob psychology.

True, there are some businesses left in our towns and cities that radiate the personality of the founder or of the present proprietor. They are local institutions built around the family; there is an atmosphere subtle and refreshing which characterizes the relationship between the proprietor and his sales people, and between the store and its patrons. These, however, are an ever-diminishing quantity, and the proprietors of these establishments will tell you that they fear that when they die the store will die with them. There are unfortunately too many instances in which this has happened, and the community is the poorer when that type of retail establishment is replaced by a mere cog in the distributing machine whose one absorbing passion must be to grind out dividends for absentee owners whom he has never seen.

As a further illustration of the limitation of opportunity for expansion available to the individual retailer consequent upon the dominance of distribution by the huge department store, may I quote from the preliminary report published by the Dominion Bureau of Statistics covering the census of retail merchandising establishments in Toronto for 1930, which shows that in the general merchandise group which includes department stores, the volume of business was \$114,984,600 which was divided among 206 stores. An analysis of these figures further on in the same report states that department and general stores doing a volume of over \$100,000 did a total of \$112,599,400. This business was done by 28 stores, which included the variety, five-and-ten, and to dollar stores. For the information of the committee, I am thinking of such organizations as Metropolitan stores, Kresge's and Woolworths.

Mr. FACTOR: Is that Toronto?

The WITNESS: In Toronto I am speaking of now, Mr. Factor. This means that 28 stores out of the 206 referred to did approximately 98 per cent of the business in that field of merchandising. I think an analysis of the statistics available will reveal a similar condition proportionate in the other industries.

Mr. FACTOR: Have you got the Ontario statistics?

The WITNESS: I have not, but they are available in the statistical department. I have them, but not here.

Lengthening of store hours. Here again accurate statistical data is not readily available, but quoting from information supplied me from various branches of the association, I am informed that store hours have been invariably increased since the advent of chain store units in these communities.

Toronto, however, is the worst example. Perhaps, however, the most outstanding illustration of what has happened in this connection can be found in the city of Toronto which, from experience gained in living elsewhere in Canada, I would say unhesitatingly provides the worst example of retail slavery of any community within my personal knowledge.



I am not suggesting that this lengthening of store hours is necessarily within the department store and chain store units themselves, but the real effect of their insistent appeal for patronage during what should be the legitimate working hours for retail stores, forces the individual retailer elsewhere in the city, and particularly in the suburbs, to keep his store open unreasonably long hours in order that he may catch some of the crumbs that have been inadvertently spilled from the big operator's table.

In 1919 the Toronto retail grocers sponsored a petition to the city council asking for the enactment of an early closing by-law, which was passed but which has, as a matter of fact, become very largely something of a dead letter. In recent months attempts were made to enforce the provisions of the by-law, but the retail grocers are now the people who are asking for its repeal because, they say, their only means of obtaining a livelihood is to pick up the business that comes to them after seven o'clock. The retail shoe men tell the same story, as do also other lines of business.

Mr. SOMMERVILLE: They were the ones who asked for the early closing by-law in 1919?

The WITNESS: Yes. I have so far excluded the chain stores generally from this charge, but the drug chain can certainly not be so excluded. Information furnished me just before leaving Toronto states that junior clerks are required to put in from eight o'clock a.m. to ten o'clock p.m. four days of the week, with afternoons off on two days and one evening, and working all day every third Sunday, for \$18 a week.

I am also informed that delivery boys are called upon to work from 57 to 73 hours per week, every alternate Sunday and every alternate public holiday. The particular case brought to my attention was that of an intelligent lad working these hours at the commencing salary of \$8.25, which was subsequently cut to \$7. This boy says that his principal quarrel with the system was not the actual hours worked but their inconvenient arrangement which made it necessary for him to abandon night school because he could not plan his evenings during the winter in such a way as to avail himself of continuation class studies. From the same source of information I am told that \$10 per week is allowed to the store manager for delivery purposes—if you can get one, two, or three boys, why, this is clear. Delivery service must be available from the opening of the store to its closing. An order may be phoned in a few minutes before closing time which may mean that the boy will work for half an hour or forty-five minutes after the store is closed. No over-time or special service is recognized under these circumstances.

This instance is cited merely as an illustration of the tremendous pressure exercised upon human endurance by massed retailing methods in its ruthless competition. What is the inevitable result? Low wages, long hours, stifled ambitions and community impoverishment.

Mr. YOUNG: In the drug trade?

The WITNESS: Yes, Mr. Young. I would like at this stage, Mr. Chairman, to give a citation from a letter sent to me confidentially by an ex-buyer of one of the department store organizations.

The CHAIRMAN: You say it was given to you confidentially?

The WITNESS: Yes.

The CHAIRMAN: You will give the name of the buyer to the committee?

The WITNESS: I think this particular person would be a suitable witness for you to examine privately or to investigate. I would be glad to give you the details. This particular person says the method of setting the pace is as follows: the method of setting the pace of a department of that organization is that of increasing each day's sales by a percentage over the sales of the same day of the previous year. If the department goes down on the day, it makes up on the week.

At least, this was the way it was done prior to the depression period. Whatever the arrangement, the buyer has a definite goal, and it is up to him, no matter how he does it, to produce results. Let us take a typical week in which he has to meet the figures of the year previous on which there was a particularly large sale, and the description goes on to say if I must do it, I will do it. The buyer must meet those figures plus the increase set by the sales office. He manages to make a purchase at a special price that will permit him to advertise a big sale. On top of this, the sales office may inform him that during that particular week they are featuring specials throughout the store and he will be required to prepare enough merchandise at a special price for a week's selling. He has, as well, his Friday bargains that must be put on, and he may be informed by another section of the sales office that they would like an early special for Tuesday morning with selling for one hour until 9.30. This is not an exaggerated case, I assure you. What is the buyer to do? He must find the merchandise. He does not wish to add to the stock any more than is necessary. If he does stock control will get after him. Some of the specials might be got by putting through reductions on slow moving stock. Then, he must get into the market to find the manufacturers who can be persuaded to meet his price. Added to the difficulty of the situation might be the difficulty that an expected foreign shipment which could have been used as part of the sale merchandise will arrive too late, and will increase the stock. Meanwhile, the regular lines suffer from lack of display space, advertising and attention on the part of the selling staff. That line becomes old stock after three months, and this adds to the burden, because while old stock, it may be at the same time saleable and wanted merchandise. I recall the oft-expressed sentiments of a buyer of some thirty years' experience. She used to say that she had never asked anyone for a reduction in price on what she had purchased for her own house, but that she was more often than not ashamed that she had to resort to the methods she used to obtain for the company the prices that made her department one of the most successful in the store. This, I think, is the attitude of many buyers; certainly, it was my own, and was one reason why I felt I could not continue as a buyer.

It is respectfully submitted that the mechanization of retailing exemplified by department and chain store methods produces precisely the same deteriorating results in morale that have been already produced by the mechanization of production and industry.

There is no intention in this discussion to parade executives as inhuman monsters; they themselves are victims sometimes of their own ambition but essentially of the cruelties of a system which by its very nature demands volume and still more volume, devastating in its destruction of human values and merciless in its competitive relationships. "Crush your competitor" is its subconscious text; shove him down where possible, but always, everywhere, invariably, show him in an unfavourable light to the consuming public.

Thus with the aid of concentrated wealth, commanding the largest amount of advertising space, has been built up during the past years a dominating propaganda appealing solely to the cupidity of the purchasing public, with clever word pictures that finally persuade Mr. and Mrs. Consumer that massed buying is a virtue and that its high Priests are public benefactors.

It will be appreciated by this committee that the association which I represent is limited in its facilities for investigation into chain store practices. Much of what we believe to be going on comes to us by way of general information, because even a chain store manager may talk to his friends. In support of the statement, however, that this system, in its drive for the elimination of the retailer, robs men of their independence, I submit as part of this memorandum, some typical clauses from a contract entered into as between a chain store organization and one of its managers. For obvious reasons I cannot reveal the identity of the organization or of the individual but I respectfully submit that



further investigation into such contracts by representatives of this committee would be justified. The extracts read as follows:—

I shall be personally responsible to you for all merchandise and cash at any time contained in the store I may be placed in charge of, as well as for all shortages whether of cash or merchandise, as may be established by you after each stocktaking.

The term of my employment may be terminated by you at any time without notice and I hereby expressly waive all claims in damages which I may have against you, as and arising from my said dismissal from your employment.

A copy of the full contract from which these extracts have been taken is available and can be filed with the committee if desired. (Exhibit No. 41). I as filing this contract with you in the same confidential manner, and the extracts that I have just read are from these contracts. He may not be in the store; he may be ill. No matter what the circumstances, he is still personally responsible. The striking thing in the foregoing clauses is that the store manager is exclusively responsible for the shortages either in cash or merchandise from any cause whatsoever. Not an infinitesimal fraction of one per cent is permitted for leakage, loss in transit, shrinkage or any of the ordinary unavoidable losses which must be sustained in the handling of groceries, particularly in bulk.

Mr. YOUNG: That is in the contract.

The WITNESS: Yes.

Mr. SOMMERVILLE: He must weigh 100 individual pounds out of a 100 pound bag of sugar.

The WITNESS: I had something to say about that. Perhaps the much vaunted efficiency of chain store methods of distribution have discovered how to get ten 10 pound packages of sugar out of a 100 pound sack or twelve good bananas when two of them are decayed. All we know is that the contract with the store manager makes him responsible for losses, and says there mustn't be any.

Now note the paragraph in which it is within the rights of the company to dismiss this man without notice or compensation, removing him as relentlessly as a piece taken in a game of checkers.

The CHAIRMAN: Is it possible?

The WITNESS: I say efficiency does remarkable things, Mr. Chairman. All we know is that the contract with the store manager makes him responsible for losses, and says there mustn't be any.

Does the consumer benefit from all this? Not while the inexorable law of compensation works, and how does it work in such cases as these? I submit that the inevitable result is that after exhausting every possible alternative, men and women who are the victims of this sort of thing frequently resign themselves either sullenly or complacently to letting the taxpayer take care of them and their families, with the result that in Canada, the land of opportunity, you have a permanent army of unemployed, the problem of municipalities, provincial and dominion governments alike.

*By Mr. Young:*

Q. Did I get you right?—A. Did you say that 16 buyers have gone on relief? —A. Mr. Young, since this memorandum was dictated, I have been given to understand, that in the city of Stratford, two chain store managers who had left the employment of the chain stores, found themselves compelled to go on relief because of not having money, and not having any savings for the proverbial rainy day.



*By Mr. Senn:*

Q. Is that the result of short weights?—A. That is a specific question. I think no question about it, it is the opinion. I think the subject is one that should be very carefully investigated.

Mr. YOUNG: I did not get your answer. I do not know if I understood what you said. Did I understand that these men had to go on relief because they could not save money?—A. No; perhaps I spoke too quickly. They lost their jobs, Mr. Young; they were dismissed. I may say in that connection, Mr. Young, that the labour turnover is so tremendous, they lose their jobs so repeatedly, because they cannot measure up to the demands of the contract of that kind—it is inhuman, it cannot be done, and one after another find themselves out of a job, and finally they give up in despair, because once they are dismissed, they are dismissed with the stigma of dismissal.

*By Mr. Sommerville:*

Q. They then find it difficult to get employment in other chain stores, unless they can show a good record in the last store?—A. My information is that there is a record established as between the chain stores of the number of managers, their names and dismissals; so if they are dismissed from one place, they cannot get into another.

*By Mr. Factor:*

Q. Do you know why the two men in Stratford were dismissed?—A. I do not know. In this particular case it came to me in the past 24 hours, and I have had no means of checking up the details.

Does the farmer benefit from these methods of merchandising? I am not an expert in that field, but this committee had before it a witness from Alberta, a few days ago. His evidence must be fresh in your minds, and is now available in printed form. Surely it is eloquent, and since he appeared before this committee, I understand that a bill is being introduced by the Honourable the Minister of Agriculture for Ontario, designed to control the milk situation in this province. If free and unbridled competition and low prices to the consumer are good things, what is the purpose behind the co-operative marketing experiments of the governments of to-day? Why is it that recently, the following letter, the original of which I desire to file with the committee, was sent from the provincial parliament buildings at Queens Park to chain store executives. (Exhibit No. 39.). I would like the indulgence of the committee to follow this letter very carefully. There are some very interesting inferences to be drawn from it. It is dated November 20, 1933.

Mr. SOMMERVILLE: Sent out by whom?

The WITNESS: The Ontario Department of Agriculture Statistics and Publications, and over the signature of Mr. S. H. H. Symons, executive secretary of the Ontario Agricultural Council.

Mr. FACTOR: Is that a government department?

The WITNESS: It will explain what it is in the letter.

The Ontario Agricultural Council which was organized two years ago at the request of the Hon. T. L. Kennedy, Minister of Agriculture, and is composed of a prominent farmer from each county, appointed by the County Council, has passed the following resolution: "That in view of the serious condition of the agricultural industry in Ontario to-day and whereas it is generally conceded that better prices for farm products would improve conditions throughout the province generally by increasing the purchasing power of the farmer, thereby benefiting indirectly

labour conditions in the towns and cities, that this council seek the co-operation of large retail organizations in an effort to have them keep such prices as stable as possible and to consider the advisability of using such commodities as leaders that will not have a detrimental effect on the price of the products of Ontario farms."

Anybody else's products but ours; other peoples' products for loss leaders, but not ours.

The dairy industry in Ontario has grown to very large proportions, until to-day the revenue from the dairy cow amounts to approximately 35 per cent of the total income of all farmers in the province of Ontario, and is the most important branch of agricultural production. The production of dairy products in Ontario amounts to 58 million dollars annually.

It has been the custom of large retail organizations to feature dairy products as drawing cards in their weekly specials; this practice, while not intentionally aimed at driving down the prices of dairy products has, nevertheless, produced this result. Agricultural purchasing power has suffered immensely and consequently a return to more normal and prosperous times has been delayed.

Approximately 40 per cent of the population of Ontario is rural, and industrial conditions fluctuate directly in accordance with agricultural purchasing power. Our council feels, therefore, that great loss is being inflicted not only on farmers but upon everyone through large retail organizations featuring butter and other dairy products at cut-rate prices. We, therefore, respectfully request that you consider this problem and co-operate in checking this practice.

Yours very truly,

(Signed) S. H. H. SYMONS,  
*Executive Secretary, Ontario Agr'l Council.*

The CHAIRMAN: That is a quotation from what?

The WITNESS: The Ontario Agricultural Council, and that is the letter.

Mr. SOMMERVILLE: The entire letter?

The WITNESS: The entire letter.

Mr. FACTOR: What is the date?

The WITNESS: November 20, 1933.

*By Mr. Young:*

Q. They do not give any figures to show that the domestic price was below the world price at the time?—A. No, Mr. Young.

Q. No supporting proof at all?—A. No statement there, sir. This was merely a letter, as I understand it, to the large organizations to desist from using agricultural products as loss leaders.

Mr. SOMMERVILLE: Sent out under the auspices of the Department of Agriculture of Ontario?

The WITNESS: Yes, sir.

Mr. FACTOR: No, a private body.

The WITNESS: Semi-official.

Mr. EDWARDS: I do not think so.

Mr. YOUNG: You were not given any evidence that their statements were correct?

The WITNESS: No.

Mr. SOMMERVILLE: It was sent out by the department of agriculture of Ontario.

The WITNESS: Yes.

Mr. SOMMERVILLE: And from the parliament buildings.

The WITNESS: That is it.

*By Mr. Factor:*

Q. Is it a government body?—A. It would be—it may be semi-official, really evidently sponsored by the department of agriculture. For the benefit of the reporter I would like to say here is something he had better take down, because it is not included in the official memorandum.

The CHAIRMAN: Just a minute. I am afraid we are a little wrong about this. The second paragraph in this letter is a quotation from the council of agriculture. Then, the other three paragraphs, apparently, are the utterances of Mr. Symons, the executive secretary.

Mr. FACTOR: Secretary of what body?

The CHAIRMAN: The Ontario Agricultural Council. The second paragraph is a quotation from a resolution. The first paragraph is the introductory paragraph. Apparently it emanates from the same council. You had better pass it around.

The WITNESS: I take it it could not be written without authority. It is at the request of the Ontario Agricultural council. Butter is still being treated as a loss leader every week. I submit copies of three advertisements from Toronto papers of last Thursday, March 1, in which it would be noted that pasteurized creamery butter is offered at 29 cents per pound (Exhibit No. 40). In an effort to meet this competition, one of their most representative retail grocers in Toronto complained to the Bowes Butter supply house, the Bowes Company, that it seemed to him there must be two different prices of butter to two different kinds of retailers. The Bowes Company replied as follows. The letter is dated March 1, 1934.

As we advised you to-day, we are unable to give you a price which will permit you to meet the advertised price of 29 cents in to-day's newspapers.

The car lot market on No. 1 butter in solids is 29½ cents a pound, and on No. 2, 28¾ cents, as evidenced by sales made to-day by us. To these prices must be added the cost of cutting, printing and wrapping.

The stores which are selling butter this week at 29 cents in prints or pieces, are selling at below the car lot price of solids.

We regret that we are unable to put you in line to meet this competition.

*By Mr. Senn:*

Q. Do we understand that these advertisements were for No. 1 butter?—A. The words "pasteurized creamery" are used.

Q. As a matter of fact it is not advertised as being No. 1 butter?—A. That makes it all the more reprehensible in my opinion. We should have proper descriptions for merchandise, or for any other thing.

Q. I have information to the effect that it is not No. 1 butter.

*By Mr. Sommerville:*

Q. Then it will be No. 2 butter quoted at 28¾ cents a pound in carload lots in solids?—A. Yes, sir.

The CHAIRMAN: Go ahead with your statement please.



The WITNESS: The turkey situation: as a further evidence of the cunning with which the large operator breaks down the market for the producer, may I submit an interesting advertisement which is typical of what happens every year without fail. I am sorry, Mr. Chairman, I have to ask the committee to secure this copy. I can have it identified; it is dated November 30th and appeared in the evening papers, the Toronto Telegram and the Toronto Star.

*By the Chairman:*

Q. What is that date?—A. November 30th, sir. I would be glad to co-operate in identifying the particular ad.

The advertisement is dated Thursday, November 30, 1933, and features "Guaranteed Fresh Killed Turkeys, Government Grades, at 15 cents per pound, weights from 7 to 15 pounds." I am informed by the most competent authorities that this kind of advertisement appears every year immediately after the opening of the turkey market.

These turkeys come from the first Canadian Christmas market which opens at Napanee and which is looked upon as the barometer by which the turkey market is governed for that season.

Now then, what happens? The large operator sells the Napanee turkeys at cost or less, advertising spectacularly, and then his buyers take those advertisements around the country as evidence of low prevailing retail prices.

Incidentally, this device is also used to break down the prices of turkeys coming onto the market from western Canada, which usually happens within a week or ten days from the date of the advertisement.

This practice is so well understood by meat dealers and others catering to the poultry consumer as to be common gossip, but this Committee can ascertain for itself by reference to Government records just what has been the opening Napanee price for the past several years and can compare these prices with the advertisement submitted, and others which can be obtained.

Q. By the way, how are we going to identify that advertisement?—A. I will be glad to co-operate.

Q. Might I ask that you give us full particulars?—A. I will be glad fully to accept that responsibility.

*By Mr. Young:*

Q. That advertisement you said speaks of individual grades; what grades are they?—A. That is not classified in the advertisement.

Q. And the price might be quoted on the lowest government grade?—A. It might be anything.

Mr. YOUNG: The advertisement does not say.

Mr. KENNEDY (*Peace River*): In all the turkeys I have ever purchased, the top grade is featured; the top grade is always the one on which the price is advertised.

*By Mr. Young:*

Q. This is to the retail trade and they advertise government grades, what is the figure?—A. 15 cents per pound for No. 1 turkeys, and there again you see is the question of what the consumer will take.

Q. Have you any idea how that Napanee price is arrived at?—A. I am not competent to answer that question.

Q. Has that anything to do with the British market?—A. I am sorry I cannot say, we have a gentleman here available for cross examination, who is an expert in that field.

*By Mr. Sommerville:*

Q. I think we had better proceed with your statement?—A. Low prices mean low living standards. The defendants of the chain store system argue with elaborate statistics that their system of merchandizing has brought down the cost of living. The Agricultural Council says that it has decreased the farmer's purchasing power, and asks for relief.

*By Mr. Ilsley:*

Q. What is the Agricultural Council?—A. The one that I referred to.

*By Mr. Young:*

Q. Is that the letter in which they stated that?—A. Yes, I am referring back to the letter.

It has also brought down the standard of living, because if it is true that "we sell for less," it must also be true that "we buy for less," which means that the primary producer has less to spend.

*By Mr. Factor:*

Q. You are not elaborating this phase of it, about the cost of living being brought down?—A. Not in any statistical way, Mr. Factor.

*By Mr. Sommerville:*

Q. You are dealing with their argument that it is brought down, and you are presenting an argument in reply?—A. That is it, sir.

*By Mr. Ilsley:*

Q. You see, if they do buy goods for less, they sell for less?—A. That seems to be supported by the evidence.

Q. Not necessarily, because they might handle them for less?—A. Yes, that is possible; but there again I think investigation might disclose some very interesting comparisons.

Then we come to further illustration; here is another case in point. This illustration comes from the Owen Sound district. It says that during a certain season potatoes were selling retail locally at about 85 cents per bag, the stores paying the farmer 65 cents. The local chain store branch got a farmer who had about 300 bags to sell, to sell them all to them at 50 cents per bag, and then offered them retail at 59 cents per bag.

*By Mr. Boulanger:*

Q. What would be the weight of a bag?—A. 90 pounds to the bag is the Ontario basis.

The result was that all local prices had to come down to this level, and the farmers all took 15 cents per bag less because the retailers had to meet the price. There might have been a temporary gain to the consumer in that locality, but it was at the expense of the producer.

*By Mr. Sommerville:*

Q. Your reference there is that there was a loss to all the farmers in the community because of the action of one mass buyer?—A. Yes, sir. Now with respect to loss leaders; this device is, of course, clearly understood—but I wonder sometimes since I wrote this whether it is or not—and is the modern exemplification of the old-time proverb, "Set a sprat to catch a mackerel." I submit for the inspection of the committee a number of recent examples of these leaders (Exhibit No. 42). They are furnished me by executives of the grocer's division of our association who are available for cross examination.

Here are some of them, Mr. Chairman, this is the Evening Telegram of March 1st, and features among other things glacier sardines, advertised at 5 cents per tin, the wholesale cost is  $5\frac{1}{2}$  cents per tin; evaporated milk, this advertisement is dated February 14th, advertised at 3 cents per tin, three tins to a customer—wholesale cost 3.69 cents per tin; sugar—of course nobody ever takes notice of sugar because that is one of the commodities that you are not supposed to make a profit on.

*By the Chairman:*

Q. What does it say?—A. 6 cents per pound, wholesale cost 6.57 cents per pound. You will note the combination for compelling the purchase of other articles, upon which presumably the loss on sugar is made up.

*By Mr. Ilsley:*

Q. Is that for the purpose of compelling purchases?—A. The customer must buy other articles, compelling the purchase of other articles; in other words, the article will not be sold by itself.

Campbell's pork and beans, 4 cents per 16 oz. tin—wholesale cost  $4\frac{3}{4}$  cents. Saturday, February 17: Lux flakes advertised, small package 5 cents, three to a customer, conditional upon another purchase—wholesale cost  $7\frac{3}{4}$  cents per package.

*By Mr. Factor:*

Q. Are all these from the departmental store?—A. These are particularly, sir, yes; there are some others that we will have a little later, Mr. Factor. Aylmer jam advertised at 29 cents per jar—wholesale cost 33 cents per jar.

Q. What do you mean by that "wholesale cost", is that the cost to the departmental store, or is it a general wholesale price?—A. Our understanding is that it is the wholesale cost, what they paid for it.

*By Mr. Sommerville:*

Q. That is the bottom price for quantity purchases?—A. That is our understanding, because afterwards we got prices from other quantity purchasers.

Jam—since this is not specified and it is not described by name—we presume it is possibly a compound—advertised at 29 cents per 4 pound tin; regular wholesale cost 48 cents.

*By Mr. Ilsley:*

Q. Was that conditional on another purchase?—A. Not in that case. February 16th, sockeye salmon advertised at 2 for 25 cents; the wholesale cost is  $15\frac{3}{4}$  cents per tin. Lifebuoy soap advertised at 5 cents a cake; wholesale cost 6.57 cents. Butter—you were asking Mr. Factor whether these were all department stores, this happens to be an Atlantic and Pacific advertisement.

*By the Chairman:*

Q. Those that you have put in all relate to department stores, do they?—A. So far, yes.

*By Mr. Sommerville:*

Q. And when you have referred to "wholesale prices" you mean the bottom price for large quantity purchases?—A. Yes.

*By Mr. Factor:*

Q. Did your executive ever approach the heads of department stores to discuss this matter of prices with them?—A. Our experience is that these heads of



department stores are not approachable at all. They maintain an attitude of isolation in connection with these methods. There are some matters in which they are approachable, but in this particular matter they are not.

Q. But they admit that they are loss leaders; I mean in any discussions of this matter that you have had with them, they admit that?—A. I am not prepared to discuss that with you at the moment.

*By Mr. Young:*

Q. Are you sure that they buy from the same source as the wholesaler buys from; that they buy from the wholesaler at say 7 cents? Can he not buy direct from the manufacturer?—A. You can buy from the manufacturer, Mr. Young, but under modern conditions the wholesaler has also been compelled to realign his methods, and that again is another phase of the situation.

*By the Chairman:*

Q. Finish your loss leader situation?—A. Yes, Mr. Chairman. Butter, this is dated March 1st, "Silverbrook" advertised at 30 cents; solid cost 30 cents, additional cost for cutting and wrapping  $\frac{3}{4}$  cents per pound.

This, Mr. Chairman, is something that has been given to me in Ottawa this week, and it is very interesting. Apparently it is cheaper for some of the Ottawa retailers to buy from the chain store competitors than from wholesale houses. Here is an invoice in which it seems that this particular individual bought from the Stop and Shop, one of his nearby chain units, a bag of granulated sugar for \$6.30 according to this invoice; and on the same day the wholesale price, F.O.B. Ottawa was \$6.57 $\frac{1}{2}$ .

Here is another evidence of the same thing, or of the same principle, I should say; shredded wheat advertised in these two advertisements (they can be identified Mr. Chairman) at 2 for 19 cents. Two invoices which I show, one from the National Grocers Company and the other from Freedman & Sons indicate that the price will be 2 for 21 cents.

*By Mr. Sommerville:*

Q. By the way, is not shredded wheat a product that had a protected price for years?—A. There has been something I believe in the nature of an agreed price, Mr. Chairman, yes.

Q. And it has been recognized as the standard price for years and years—2 for 21 is a low price?—A. Two for 23.

Mr. FACTOR: An agreement by whom?

Mr. SOMMERVILLE: Between the Shredded Wheat people and the jobbers. The charge now is breaking down that price on shredded wheat to 2 for 19 cents.

*By Mr. Young:*

Q. How long did the 23 cent price prevail, have you any idea?—A. Two or three years, I think.

Q. Three years?—A. Yes.

Q. Has the price of shredded wheat any relation to the price of wheat?—A. That would be a question you would be better able to answer than I am, sir.

*By the Chairman:*

Q. Is this used as a loss leader?—A. That is the principal reason. I am submitting the advertising to you. I would like to follow the terms of this: On January 9th General Foods Corporation offered a deal, one of these special arrangements made for a temporary period.

*By Mr. Sommerville:*

Q. Perhaps you would explain the meaning of "deal" that is another word that the committee should have elucidated?—A. Perhaps the best way to illustrate the meaning of the word would be for me to continue.

Q. This meant, as I understand the language, in the parlance of the trade, a deal?—A. That is it.

Q. It is not a regular practice, it is something that is special?—A. For a special purpose.

Q. And for a definite period, and to be made use only during that period?—A. Yes.

Q. And that is the "deal"?—A. Yes. On January 9th General Foods Corporation offered this deal to wholesalers—please note, the large buyers—of Maxwell House coffee 1 pound tins at 34½ cents net delivered at the warehouse, that would be the warehouse either of the chains or of the wholesalers. This is listed from January 9, until February 15; the cost from that date and to-day to these same purchasers, that is to these wholesalers, is 38 cents per pound tin. On March 1, the Stop and Shop Company—

*By Mr. Sommerville:*

Q. Wait a minute now. From the 15th January— —A. No, the 9th of January.

Q. From the 9th of January until the 15th of February these large buyers could secure Maxwell House Coffee at 34½ cents a tin.—A. That is right.

Q. Delivered at their warehouse door?—A. Yes, sir,

Mr. FACTOR: From the wholesaler?

Mr. SOMMERVILLE: No, from the manufacturer or the producer.

The WITNESS: May I correct something there. General Foods are not manufacturers. They are a group of manufacturers associated together; they are a number of lines grouped together under that general category.

*By Mr. Sommerville:*

Q. But they are the sole distributors?—A. They are the sole distributors of this product.

*By Mr. Factor:*

Q. They are an American concern?—A. Yes, that is right. The cost from February 15th and now to those same purchasers is 38 cents per pound tin. That is, the deal is off now and the price to those people is 38 cents.

*By Mr. Young:*

Q. What was the price to the outside world while the deal was on?—A. Now, on March 1st the Stop and Shop Company offered this coffee to the public at 34 cents per pound or half a cent less than the special price offered to wholesalers under the terms of the deal. Is that clear.

The CHAIRMAN: Yes.

*By Mr. Sommerville:*

Q. That is, two weeks after the deal was over they offered it to the public at less than the price they paid under the deal, that is, under the deal they paid 34½ cents for it and then sold it two weeks after the deal at less than the deal price and four cents less than the regular price.—A. That is it.

*By Mr. Ilsley:*

Q. It is the practice you are attacking?—A. Yes, Mr. Ilsley.

*By Mr. Sommerville:*

Q. Can you tell us if there is a discount on that deal price, or is that the bottom price.—A. No, that is the bottom price, and this list is a wholesale list showing the current price to the retailer—

*By Mr. Ilsley:*

Q. Who would be given the opportunity to buy at that deal price?—A. The big operators, chain store executives.

Q. The big ones that are selected by the sellers.—A. Yes.

*By Mr. Factor:*

Q. I suppose it is also optional on the part of a buyer, is it not, in these deals; is it not optional upon quantity buying?—A. Quite frequently it is. I do not know that it is in this case.

*By Mr. Young:*

Q. Do they ever do it on sentiment?—A. Sentiment! That is a word I am not conscious of. Here is another, Mr. Chairman, that is even more recent, and concerns vegetables that are now coming on to the market, that is fresh fruits and vegetables, and this particular exhibit covers cauliflowers being offered this date, 1st March, extra good value at 15 cents each in 10's, 11's and 12's; that means that the case containing the cauliflower may contain 10, 11 or 12.

*By Mr. Sommerville:*

Q. It is a question of size?—A. Yes, it is a question of size. This very week the Dominion Stores advertised these cauliflower at 15 cents each. The best wholesale cost was \$1.75 per case. What is the exact figure here for cauliflower.

Q. \$1.80 a dozen.—A. Yes, just about \$1.80 a dozen.

*By Mr. Senn:*

Q. Are those imported goods?—A. Oh, yes, because cauliflowers are not growing around Ottawa just now.

*By Mr. Sommerville:*

Q. But the same practice prevails when they do grow in season?—A. Unquestionably. This is a highly perishable commodity, and very often a merchant finds himself in the position of having to take a loss, he having brought them in anticipation of a consumer demand but finds that consumer demand shattered by this kind of advertising.

Q. And then that reacts upon the producer.—A. Unquestionably.

*By Mr. Senn:*

Q. It cannot react on the producer at this season of the year very well.—A. No, I grant you that.

*By Mr. Young:*

Q. You say that by selling these cauliflowers at less than cost it ruins the demand. Does that mean that the total number of cauliflowers consumed in Canada will be less.—A. No, I do not mean to convey that, Mr. Young. What I meant was that they shattered confidence in the ordinary price—

Q. Yes, but supposing there are a given number of cauliflower produced in Canada that is the number that the producer will sell or attempt to sell.—A. Yes.



Q. And if some of these are sold cheaper than the regular price will that prevent him from selling the rest at all.—A. No, but it means if he does not sell them at cut rate prices he cannot get rid of them and consequently there is a loss because they are highly perishable.

Q. Supposing they are down in price does it not tempt people to buy more of them?—A. There would be a demand in those stores where that price was available, but everybody else's price would have to come down or they could not sell them.

Q. With the price coming down it would create a greater demand for the product?—A. Temporarily.

Mr. SENN: I do not suppose we are very anxious to look after the interests of the foreign producer anyway.

The WITNESS: I only cite that because it illustrates a condition which is just as apt to prevail later on when the domestic produce comes on to the market.

*By Mr. Ilsley:*

P. Are you leaving the subject of loss leaders now?—A. Almost, I will be through in a moment.

Q. Because I would like to ask two or three general questions on the subject. What is your objection to it?—A. Well, we feel it is an unethical method of merchandising.

Q. What difference is there from offering it as a gift? Suppose these stores said that certain things would be given away providing they bought other articles on that day, what is there that would be unethical in that?—A. Well, we think it is unethical.

Q. There is a difference if you offer it at a low price, discrediting the competitors of the store to a certain extent. I should think that would be your objection, but what objection would there be to giving away certain merchandise provided people bought other merchandise.—A. That leads me a little out of my field, Mr. Ilsley, but one of the most objectionable practices in modern merchandising is what is known as the premium system under which one merchant decides to give away another merchant's merchandise, not his merchandise but somebody else's merchandise.

*By Mr. Young:*

Q. You mean gives it away?—A. Not exactly but he says that a premium is being given to trade at his store.

Q. How does he get them?—A. He buys them, I suppose.

Q. Through the regular channels.—A. I don't know where he buys them; he probably gets them under special circumstances.

Q. Just like a newspaper giving away a pair of scissors for a subscription?—A. I understand that the druggists will be examined and I think that they will have an interesting story to tell about that.

*By Mr. Ilsley:*

Q. What is the objection to the premium system?—A. We feel that that is not a fair system of merchandising, that merchandise should be sold; what is it there for, otherwise we might just as well give all of it away.

*By Mr. Factor:*

Q. It is the form of advertising that you object to, is it?—A. Yes.

*By Mr. Ilsley:*

Q. You object to heavy advertising apparently?—A. No, Mr. Ilsley, I think that our objection is not to advertising as such, but it has grown to such a dominating position, and I will suggest that subconsciously at any rate it influences price sentiment.

*By Mr. Young:*

Q. Price sentiment?—A. Yes, I think it is inevitable, Mr. Young.

Mr. SOMMERVILLE: If you will proceed, please. You are going to complete your reference to loss leaders.

The WITNESS: I would like to say a word about cut-rate meats and their effect upon the producer. As further evidence of the demoralizing effect of cut-rate competition I want to submit a dodger circulated in the various neighbourhoods in Toronto and posted on the various branches of the chain organization referred to. You will note the sensational prices advertised for choice cuts such as round, sirloin or wing steaks, prime and short rib roasts at 8 cents per pound. From the front quarter of the animal, chucks and shoulders are offered at 5 cents per pound. What could the producer have received after the packing house had obtained its profit and what is the inference? There are two alternative conclusions, one is that the merchandise was sold at less than cost, and the other is that these meats were unfit for human consumption and should never have been permitted to find their way on to the market at all.

It will, of course, be immediately stated that all meat is government inspected. To which the reply is that they are from a health point of view; but this government inspection does not imply that the cattle are edible, and so we have the curious spectacle of the government, through its Department of Agriculture spending hundreds of thousands of dollars to build up a grading system to encourage the consumption of graded meats while the cut-rater consistently throws on to the market inferior merchandise, nullifying the government's efforts and consistently reflecting unfavourably upon his competitors who are selling honest merchandise at honest prices.

*By Mr. Sommerville:*

Q. You say that has an effect upon the producer?—A. Absolutely. Some people might think that a certain kind of steak was edible but I would find some difficulty in masticating it.

*By the Chairman:*

Q. Before you leave this beef business—because this seems to me to strike to the very root of what this committee is trying to get at; we won't go into at this time the question of what it cost to produce and dress the beef; we all know that it must be sold at a very much higher rate than the beef on the hoof, we have sufficient knowledge of that, but here we have choice young steer beef—we will assume that it is—round steak or roast, 8 cents; sirloin steak or roast, 8 cents; prime rib roast 8 cents; short rib roast, 8 cents; choice rump roast, 8 cents. I would like to put a leading question, because I happen to have a little knowledge.

Mr. YOUNG: I am glad you say it is going to be a leading question.

The CHAIRMAN: Well, I am warning you that it is going to be a leading question. An abattoir will find itself—as was mentioned by the way in evidence yesterday by Mr. McLean—towards the end of the week or at some time in the week in possession of an unusual quantity of hind quarters or front quarters as the case may be. For instance they might have ten thousand of them in their coolers, or thousands of them. Is it the practice for the abattoir then to go to a chain store and offer at a very low price this over-plus of beef that they have in their coolers?

The WITNESS: I am informed that such is the case, Mr. Chairman.

*By the Chairman:*

Q. Now then, the next question is not a leading question but it is hypothetical. Obviously then if that were a practice the price that they would

be able to pay for beef on the hoof would be affected by the low price at which they would have to sacrifice a certain quantity of the dressed beef?—A. That seems to be a reasonable inference.

Q. And the reason, of course, is that obviously a loss leader of this character affects the price of beef on the market.—A. Yes, sir, I think that is quite right.

*By Mr. Boulanger:*

Q. Would that be good meat?

The CHAIRMAN: It might or might not be that the advertisement is false. I am, however, taking it for once as being honest; I am assuming it is an honest advertisement.

Mr. BOULANGER: Would that surplus meat be good meat?

The CHAIRMAN: Mr. McLean told us yesterday.

*By Mr. Young:*

Q. Take the alternative, suppose the abattoir does not go to a chain store and offer this meat cheap in order to get rid of it, the only other thing they can do is to keep it in their cooler, then what happens?—A. The particular thing that I am trying to clarify is that that sort of thing should not be done. The point I am making here is that that type of merchandizing should not be permitted to go on to the market at all.

Q. That is not the chairman's point.—A. I know his point but you asked me another question.

Q. I am following up Mr. Stevens' question. An abattoir on Saturday night or some time during the week finds itself in possession of a large quantity of meat for which apparently there is no demand, and in order to get rid of that meat he says they offer it cheap to some large distributing firm and that firm takes it at that cheap price and sells it at a cut price.

The CHAIRMAN: And destroys the market.

*By Mr. Young:*

Q. And destroys the market, yes. But suppose the abattoir does not do that. Suppose they keep the meat in their coolers then what happens?—A. Well, I am like Mr. McLean, I don't understand the packing business.

Q. But you do understand merchandizing, you understand handling perishable products, and I want to ask you what would happen; if you were handling any perishable product and you found there was no demand for it what would you do with it?—A. I should have answered that question more seriously, Mr. Chairman, but it would seem to me that the packing house has facilities for retaining that meat until the market has loosened up. In the meanwhile, Mr. Chairman, I think this is so interesting that I want to ask you at your convenience and the convenience of this committee to examine the chairman of our Meat Dealers' Association because he has some very interesting information and will be able to throw some additional light upon the evidence submitted here yesterday.

The CHAIRMAN: I think that is a very reasonable suggestion.

*By Mr. Sommerville:*

Q. And if they do throw this meat upon the market it has a tendency to affect the price of all other meat upon the market, has it not?—A. That is quite right, sir.

Q. In other words, the good butchers endeavour to compete with the price of this chain store beef, and their customers insist on getting good meat at lower prices.



Mr. YOUNG: If we are going to have that evidence, Mr. Chairman, we must have the other side of it.

Q. Suppose the packer keeps that meat in his cooler and cannot sell it, and the coolers are full, how many cattle can he buy on the Monday morning? We have had the statement made that selling that meat will depress the price. Will not retaining the meat in the cooler have the same effect?

Mr. EDWARDS: Did not Mr. McLean say yesterday that they did not go in to the market to buy cattle if they had plenty on hand?

*By Mr. Factor:*

Q. Is this chain store company a combination of meat and grocery?—A. It is a meat chain store exclusively, sir.

Q. What is your opinion of those combination stores of meat and grocery? Do you see any objection in that combination.—A. As a merchandizing experiment it is quite legitimate.

Q. There is no objection, from your standpoint, in having these chain stores handling meat and groceries?—A. Oh, the individual retailer does the same thing, and it has been found to be convenient to the consumer.

*By Mr. Sommerville:*

Q. Will you just proceed, please.—A. Massed buying pressure upon manufacturers.

Q. That is another phase of your presentation.—A. Yes. This phase of the subject under discussion is one that requires competent investigation by people clothed with governmental authority, because the grip that the giant operators in the retail field have upon the minds and policies of scores of our manufacturing friends is such that they are literally fear stricken. They will tell you in confidence all kinds of instances of undue pressure, but they are as terrified of loss of business if they come out into the open as is the factory worker terrified of losing his or her job if they inform as to conditions to minimum wage law officers. All this, of course, will be denied and the responsibility will invariably be thrown back upon the manufacturers. I think that has been very well explained by Mr. Warren Cook this morning. But what other results can be expected from a system which by its advertising policy consistently leads the public to believe that its prices are always and under every circumstance less than any of its competitors, and offers to back up its assurances by paying back to the consumer the cost of any merchandise purchased by him elsewhere on that day at less than the advertised price plus 7 per cent. I submit an actual quotation in which that phrase or sentiment is expressed. May I read it for you. (Exhibit No. 43.)

Mr. SOMMERVILLE: This appears on the bill This is the guarantee on the back of the sales ticket:

You can't lose if you shop at A. It costs less to sell for cash than on credit therefore A prices are generally lower. If it happens that the price elsewhere is less, the A customer has the protection of our guarantee, which reads as follows:

In any bona fide instance reported to our adjusting bureau of an article purchased here which could have been purchased elsewhere in Toronto for less on the same day and on the same basis, we guarantee to refund the difference plus 7 per cent of the lower price quoted elsewhere.

And that is signed by the firm, and then it further says:

Goods satisfactory or money refunded.

Mr. FACTOR: That was in connection with furniture, was it?

Mr. SOMMERVILLE: No.

Mr. YOUNG: That would knock their loss leader sky high. Anybody could enter their store after buying a loss leader and get an adjustment.

The CHAIRMAN: Under the same conditions, it says.

Mr. ILSLEY: That is not a guarantee at all. It would appear to me they are just advertising in the same way that other people have advertised almost from the beginning of time; they are merely offering more values than anyone else can.

Mr. SOMMERVILLE: If anyone else offers it at less than that then they will return your money plus 7 per cent.

Mr. ILSLEY: What is the objection to it; I may be dull.

*By Mr. Sommerville:*

Q. Then having that as a policy what do they do to prevent anybody else selling for less, is that what you were leading up to?—A. I did not expect to deal with it precisely that way, but this is the inference, this is the intention I submit, to steadily and persistently discredit the individual retail store type of operation, suggesting to the public that it is uneconomic and that, therefore, they should avail themselves of the power, the buying power of their establishment.

Mr. ILSLEY: They may do that, but I do not believe that that is the implication to be taken from that. The implication is that they are selling as cheaply as anyone else.

Mr. FACTOR: I think there is a legal term called puffing in that kind of advertising.

Mr. SOMMERVILLE: I think there is a little more than puffing there. However, the guarantee is there now.

The WITNESS: What is the intention of this inference but to steadily and persistently discredit the individual retail store type of operation, suggesting to the public that it is uneconomic and that, therefore, they should patronize the establishment which, through its mighty buying power, spreads before them a continual feast of bargains.

Buying power and sales cost. Are the costs of doing business less in the huge department store than they are in the individual store or the store of moderate proportions. Let competent research authorities in the merchandising field speak. Unfortunately we have no purely Canadian statistics to guide us in a study of this subject, and consequently we have to reply upon figures taken from American sources.

May I quote from the "1932 Departmental Merchandising and Operating Results of Department Stores," compiled by the National Retail Drygoods Association of New York. These percentages are the average of a great many American retail stores and the statistics released by this organization are accepted as authentic by merchandisers in Canada as well as the United States. One of the most efficient store proprietors in Ontario tells me that the figures although taken from American sources of information may nevertheless be taken as applicable to Canadian stores. I may say that very many large Canadian stores subscribe to this service:

Stores are divided into six classifications according to volume of sales, but the operating cost is approximately the same in each group. This operating cost was 38 per cent of selling, which is equal to 62 per cent on cost. In addition to the above there is an average markdown loss to be taken care of, which manufacturers call "scrap" or "seconds" and

retailers call "mark-downs". The average was 6 per cent on cost, consequently 68 per cent on cost must be provided for, having no regard to net profit.

*By Mr. Young:*

Q. What class of store is that?—A. That is in departmental stores, Mr. Young.

The National also and separately compiles what they term "goal figures" which is the operating results of the top 25 per cent of the best managed department stores. Their figures are as follows:—

Percentage operating cost on selling 33 per cent, equals 50 per cent on cost. Mark-downs  $5\frac{1}{2}$  per cent on cost.

You will see that the department stores looked upon as the best managed must have a mark-up on cost of  $55\frac{1}{2}$  per cent with no regard for any net profit.

It is not possible within the limitations of a casual cross-examination here and now to make a complete and conclusive analysis of all these merchandising figures, and it is, therefore, respectfully submitted that competent trained research workers should be appointed to obtain for this committee impartially gathered data, enabling the committee to judge for itself whether the so called economies of large scale buying and selling benefit the public as a whole or whether the benefits accrue to a minority of fortunately placed individuals whose wealth and opportunities for culture are purchased at the expense of their own employees, their retail competitors, and the manufacturers and producers from whom they buy their merchandise.

*By Mr. Young:*

Q. Do I get that right, that they must mark up their goods from 55 per cent to 68 per cent above cost and then add their profit to that?—A. Yes, sir. That is not me speaking though.

Q. Can you give us similar figures for the individual retailer?—A. I have some. I would suggest, Mr. Chairman, because of the necessity for accuracy in a thing of this kind, that your committee ought to secure the information through trained men, and consequently anything I have to say here is subject to that reservation.

*By Mr. Young:*

Q. If the figures are not accurate I do not suppose there is much object in getting them.—A. They were rather hurriedly gathered.

Q. Do you mean those you have given us?—A. Those are authentic.

*By Mr. Ilsley:*

Q. Those are American figures.—A. Yes.

Q. To what merchandise do they apply?—A. All departmental store merchandise. It is an intensely interesting study.

*By Mr. Sommerville:*

Q. In other words, your figures indicate that the 25 best managed departmental stores have a mark-up of 55 per cent before their profit is added?—A. Yes, sir.

Q. On cost?—A. Yes.

Q. And those that on the whole are well managed, as well as those not so well managed, have an entire mark-up of 68 per cent?—A. Yes, sir.

Q. Before profit is added?—A. Yes, sir.

Q. On cost?—A. Yes.



*By Mr. Ilsley:*

Q. Is that chain stores?—A. I am speaking of departmental stores, Mr. Ilsley.

*By Mr. Young:*

Q. Are there any figures available for Canadian departmental stores, similar to this?—A. No.

*By Mr. Ilsley:*

Q. Were there any comparative figures from independent retail stores in the United States?—A. Yes.

Q. How do they compare?—A. I have not got them here; I was not able to get them. I had to assemble this material very hurriedly.

MR. SOMMERVILLE: The figures with respect to the Canadian situation will be ascertained by the investigators appointed by the committee last week, so that you will have the Canadian figures.

MR. YOUNG: We did appoint an investigator?

MR. SOMMERVILLE: The auditor and the investigator together.

*By Mr. Ilsley:*

Q. Have you formed any opinion as to whether or not the overhead is greater for department stores and chain stores operating in Canada than it is for independent retailers?—A. I will say in the department store field it is higher.

Q. That is your opinion?—A. Yes.

Q. You could not give any figures?—A. No, but I would be glad to assist in procuring such figures. It is so complicated, the study is so technical, that we should not be hasty.

Meanwhile there are some curious by-products of the system that are worth noting in passing. Here is one:

In February of this year a Toronto retailer purchased some Japanese spun silk crepe at a cost of 87½ cents, plus tax. He understood that a department store also purchased a supply of these same goods.

The individual retailer marked the goods and placed it in his window at \$1.35 per yard, which he considered was a very fair margin of profit.

Three or four days afterwards the department store came out with a big sale of the same silk, regular \$1.79 for \$1.49.

About two days after this, the representative of the manufacturer called on the individual retailer. He was very disturbed because, according to his statement, the department store had planned to sell these goods regularly for \$1.75 per yard. The manufacturers' representative requested the individual retailer to take the goods out of his window and raise his price to \$1.49. This he refused to do.

The salesman then indicated that the department store would be prepared to buy his goods back. This offer also was refused.

The individual retailer is finding it very difficult to secure an additional supply of these goods. He could not obtain any for immediate delivery and has placed an order for delivery which cannot be made until April. While this is very late for his season, yet he wants to find out just whether or not he is going to be absolutely prohibited from buying this line because of the action of the department store.

*By Mr. Young:*

Q. That is a new kind of complaint; the complaint hitherto has been that they are selling too cheap. Now they are forcing the price up; is that their practice?—A. I think merchandising practice is a matter of expediency to serve

a purpose, and in this particular case it so happened that the competition of this individual retailer was a disturbing factor, and therefore it must be removed. We must not have any disturbing factors.

*By Mr. Factor:*

Q. He was underselling the departmental store?—A. Yes, in this particular case, and making as he says, a fair margin of profit.

*By Mr. Sommerville:*

Q. Therefore reflecting on the guarantee of the return of the money and 7 per cent?—A. In fairness to them I must say that it was not that departmental store.

Q. Not that one?—A. No, not that particular departmental store.

Q. Will you continue?—A. What is the purpose of describing this incident? I submit that it demonstrates that under fair conditions of competition the individual retailer does not, as is popularly supposed, have to demand a higher mark-up upon his merchandise than his department store competitor. Where the large operator buys in tremendous quantities, obtaining quantity discounts, he of course enjoys an economic advantage, but it does not necessarily follow that this advantage is always passed on to the consumer. An investigation of other lines by competent auditors would probably reveal that the mark-up which the large department store is compelled to get on much of its merchandise does not support the theory that its large scale operation benefits the community as a whole.

Profits from sources other than merchandising: A further analysis might reveal that the profits that are made are in transactions entirely outside the field of actual merchandise selling, involving such items as the rent of window display space and the re-sale of advertising space. Certainly this practice is true of the chain stores, one instance of this having been brought to our attention in which the manufacturer of a well-known food product claims he had to pay \$2,000 to the chain store buyer for the mere privilege of getting the merchandise into the store. The question of quantity discount came after that, together with the amount for advertising appropriation.

*By Mr. Sommerville:*

Q. That is, they paid \$2,000 before the goods would be introduced into the store at all?—A. Yes, that was his entrance fee.

Q. That was his entrance fee?—A. Yes.

Q. On top of that they required the manufacturer to allow the chain store an advertising allowance?—A. Yes.

Q. To pay for the chain store advertising in the newspapers?—A. Yes.

Q. And then on top of that there would be a quantity discount required from the manufacturer?—A. Yes.

Q. Those are conditions that do prevail?—A. As reported to me.

*By Mr. Young:*

Q. Is this a new commodity on the market?—A. No, it is rather a well-known commodity.

Q. Why was that necessary? Why not leave it to force its own way into the stores?—A. If the chain store says they won't have it, he won't force his way in.

Q. Won't they lose custom by not having it?—A. They take that chance.

*By Mr. Factor:*

Q. The manufacturer is anxious to get the chain stores to sell his article, is that the idea?—A. He wants that distribution because it is a spectacular system.

*By Mr. Young:*

Q. We had evidence this morning that any manufacturer who puts himself in the hands of these people only loses. Surely you would not give \$2,000 for that privilege.

Mr. SOMMERVILLE: That was in the clothing industry, this morning.

The WITNESS: This is in the fruit industry.

*By Mr. Young:*

Q. These people do not suffer the same way; they do not get put out of business?—A. The large food manufacturers, of course, are not only national but international.

*By Mr. Factor:*

Q. Mr. Young means that it must be a profitable venture for that manufacturer if he is willing to pay \$2,000 for the privilege of having his merchandise distributed through the chain stores?—A. That is a fair inference.

*By Mr. Young:*

Q. Does he do his own newspaper advertising? Some manufacturers advertise their own goods in the paper and say they can be bought in any store?—A. He does his own advertising on top of this.

*By Mr. Sommerville:*

Q. National advertising?—A. Yes.

Q. That is sometimes required by some chain stores for admission into that store?—A. Yes.

*By Mr. Factor:*

Q. Do you know what profit there is to the manufacturer in this particular article of food?—A. No, I don't.

Q. I think it is also a fair inference that it must be a substantial profit?—A. Yes. That is something that the committee would be entitled to investigate.

Q. I think it would be well if the committee would attack that end of it too?—A. Yes.

Q. To see what profit the manufacturer obtains from the sale of these articles?—A. That is quite a fair statement.

*By Mr. Sommerville:*

Q. That is entirely within the purview of the spread in prices?—A. Yes, that comes under the description of the spread in prices.

Q. Will you continue?—A. Yes. Is this merchandising or is it extortion? It is not competition as such of which the individual retailer complains; it is the unethical practices employed by the power of big money to exclude him from the competitive arena. In a case such as this the chain had an advantage over the individual retailer before the goods ever reached the store shelves.

*By Mr. Young:*

Q. What that meant in reality was this, that the manufacturer was giving these people a discount, was it not?—A. Yes.

Q. Selling to them cheaper—a roundabout way of cutting prices?—A. Yes, that is what he is doing.



*By the Chairman:*

Q. Would this not be a fair inference to draw—again a leading question—that recognizing that a chain store organization had such a hold upon the distributing system of a country, that it really paid this individual, or he had to pay \$2,000 in order to get his goods into this widely distributing agency?—A. Yes.

Q. But your point is that that is an unethical practice?—A. I submit, Mr. Chairman, that the answer is this, that what has happened has been that instead of the manufacturers selling to the retailers upon terms that are reasonable, the retailer—this large scale operator—dictates the terms upon which he will advertise and sell merchandise.

Q. Upon which he will handle the goods?—A. Yes.

*By Mr. Young:*

Q. You think it is not wise that anybody should be in that position?—A. I think it is an unhealthy position.

Q. Whether that person be an individual or a group of individuals?—A. Yes, I think it is unhealthy socially.

Collective action among retailers as weapon of self-defence: It is urged by many that since large scale operation is most definitely here to stay, the only alternative left to the individual operator is to combine with others in his field in co-operative merchandising activities. As a matter of fact this has actually been done to quite a large extent, but where it has been a success, it would seem to be fair to say that such success has been at the expense of using precisely the same weapons of offence and defence, with the same destructive economic results.

It is interesting to note at this stage that the early history of such combination is that they have been actively discouraged by the manufacturers. An illustration of this can be furnished.

Within the past three years a group of approximately 300 shoe retailers in the province of Ontario and the maritimes organized for co-operative buying purposes with particular reference to rubber footwear. The purpose behind this effort was to secure the most favourable discounts available for quantity purchasing and to even up the spread as between the small and the large operators. This action was taken as the result of repeated statements by the rubber manufacturers that if the retailer wished to obtain the same discount as his larger competitors he must buy in similar quantities. The group to which reference is made met this challenge and for one year—or approximately a year; I think it was a little more than a year, as a matter of fact—did business with two rubber companies, of approximately half a million dollars volume. The discounts which they obtained were not the same as those enjoyed by department stores, but were considerably better than had been hitherto enjoyed. What happened at the end of that time? Simply this, that when the negotiators for this group attempted to renew their contract they were unable to do so, and now find themselves at precisely the same disadvantage as they were before they organized.

*By Mr. Sommerville:*

Q. In other words, \$500,000 volume of business had no influence whatever on discounts that are being allowed?—A. No, not now; it did in the first year.

Q. It did in the first year, but they are not being given any more discounts now than the individual rubber retailer who buys a case or two cases of rubbers?—A. I would not say that, sir.

Q. Well, is that the fact?—A. I think I understood you to say "than the individual"?

Q. Yes?—A. They have an opportunity to negotiate for better terms, and they are now in process of negotiating again to see if they can get something better.

Q. But they were refused the same terms?—A. Yes.

Q. The renewal of those terms?—A. Yes.

*By Mr. Ilsley:*

Q. Why, because they were not heavy enough; because they were not buyers in sufficient volume? Is that the reason?—A. We have never been able to find the answer.

*By Mr. Sommerville:*

Q. You have bought half a million worth and paid for them?—A. Yes.

*By Mr. Ilsley:*

Q. Are discounts continued to the department stores?—A. Yes.

*By the Chairman:*

Q. But now refused to this co-operative group?—A. Yes.

Q. You had better give us the name of that group and the manufacturers; you can give it to us?—A. Confidentially?

Q. Yes; you can take a note of it and give it to us.

*By Mr. Ilsley:*

Q. It must be because they have this great buying weight, in some way?—A. Half a million dollars is no small amount, is it?

Q. No, but I am just trying to suggest a reason; you can't. I have asked you what your reason is?—A. I will tell you what I think is the reason. It is a matter of opinion. My opinion is that the departmental stores have said to the rubber companies, "They must go."

Q. Because of their greater buying weight?—A. Yes.

Q. That is the answer?—A. Yes.

*By Mr. Sommerville:*

Q. In other words, do you mean that they said, "We must maintain the same discount"?—A. Yes.

Q. "But you must not allow these other large buyers to come within— —A. Shooting distance.

Q. —shooting distance"?—A. Yes.

*By Mr. Ilsley:*

Q. If this other large buyer became sufficiently powerful, he would have the whip hand instead of the department stores?—A. You would think so; that is the natural inference.

Q. Is that not correct?—A. No, it is not. I submit that the half-million dollar buying power is not comparable to the buying power of the department stores.

Q. Why does the manufacturer cater to the department stores instead of the half-million dollar buying power represented by the co-operative?—A. I have been told that one of the reasons is that the department store has threatened to set up a rubber factory of its own.

*By Mr. Factor:*

Q. Mr. Coats gave us statistics that in the shoe trade the large concerns do only 18·29 per cent of the trade?—A. Yes.

Q. Is that correct?—A. Mr. Coats would be an authority; I could not dispute it.

Q. If they do only 18·29 per cent of the trade, how can they control it and dictate to the manufacturers?—A. Well, we can't answer the question as to how they do. We only know they do. I must mention, Mr. Chairman, at this stage, that this is one of the most aggravated conditions in the shoe business, and has been for ten years. It is a continual, powerful irritant that has been exercised in this business for many, many years, and this effort on the part of these 300 was to find a constructive way out of the difficulty.

*By Mr. Young:*

Q. Now, let me get that right; these makers of rubbers have been in the habit of distributing to wholesalers, have they, to retailers through the wholesalers?—

A. No, there are no wholesalers.

Q. There are not any now?—A. No, it is direct to the retailer.

Q. What does the merchant do who does not belong to the voluntary chain, who is not in with these 300? How does he get his supplies?—A. He is in a worse position yet.

Q. Where does he go for his supply?—A. He has to go direct to the manufacturer, the little manufacturer.

Q. And pay more, you mean?—A. Yes. The terms under which rubbers are sold—

*By Mr. Sommerville:*

Q. Perhaps you will just tell us the terms under which they are sold?—A. Yes; they are sold direct to the retailer through the travelling salesmen of the rubber companies.

*By Mr. Young:*

Q. So a travelling salesman goes to an individual store and takes an order?—A. Yes.

Q. For whatever they think they might need?—A. Yes.

Q. And 300 of these individual stores have got together?—A. Yes.

Q. And instead of having travelling salesmen go to them, they have sent men to the factory?—A. Well, they established a purchasing office, and representatives have to go to one office instead of twenty or thirty people.

Q. In doing that they eliminated some superficial expenses of the industry, the expenses of these travellers?—A. In so far as those sales were concerned.

Q. And they were entitled to a discount on that?—A. Yes; that is quite plain.

Q. And you say they got that for one year?—A. Yes.

Q. Then the department store stepped in and said they must not have it any longer?—A. That is the inference.

Q. For some reason or other it was withdrawn?—A. Yes.

Q. Did the manufacturers from whom they were buying also supply those big stores?—A. Yes.

Q. Or did the big stores buy from some other manufacturer?—A. No, I understand it was the same, because they sell the same merchandise.

Q. You have information on file, with the figures in connection with that?—A. I have the most complete exhibit on that, perhaps, of anything in my file.

*By Mr. Sommerville:*

Q. In other words, you are now dealing with the argument that the retailer does not complain of competition?—A. He wants fair practice.

Q. He wants fair practice?—A. That is all.



Q. He wants to compete on at least reasonable terms?—A. Yes.

Q. And he does not want the lowest purchaser to use his power to prevent that competition, use those tactics?—A. That is my point.

*By Mr. Factor:*

Q. Before you come to the next point, have you any figures of the number employed in the retail services in Ontario or Toronto?—A. They are all available in Mr. Coats' very ample report. I have them all, but there is a very complete statement about that. You mean about the number of employees and salary?

Q. Yes?—A. That is all contained in the merchandising census.

*By Mr. Young:*

Q. Those figures are quite authentic, I suppose?—A. Well, as authentic as any statistics that are gathered in a voluntary manner, maybe. Mr. Coats has to rely upon the voluntary co-operation of the people from whom he seeks information.

*By Mr. Sommerville:*

Q. Will you continue?—A. Whether department store pressure was the immediate cause for this attitude on the part of the rubber manufacturers might perhaps be a fit subject for investigation. Whatever the cause, the fact remains that after putting their money into a co-operative purchasing enterprise, using the credit and facilities of an established wholesale house to merchandise for them, and paying for all the merchandise supplied, their experiment in co-operation brings them back to the point from which they started, so far as their attempts to overcome their competitive handicap in this field are concerned.

*By Mr. Young:*

Q. Is that a common experience?—A. No. It is an isolated experience. It is a very interesting study about the rubber business that is not, perhaps, applicable to a great many other things.

Mr. SOMMERVILLE: A chain of independently owned stores?

The WITNESS: Yes.

Mr. KENNEDY (*Peace River*): There is no other source of supply?

The WITNESS: Exactly. Importations, of course.

*By Mr. Young:*

Q. You cannot get them in on account of the tariff?—A. Oh, that is another interesting phase. Did you ever hear of Singapore rubbers, Mr. Young?

Q. No.—A. May I tell you what has happened. I am not quite clear on the figures and there again there is a possibility of variation. Our oriental friends used to make rubbers out of disused American automobile tires, and then some tariffs happened and dumping duties and other mechanistic devices, and as a result of that the orientals moved over into Singapore to take advantage of the Empire pacts, and the result is that they are able to lay down rubbers in Canada in spite of every device that can be thought of at very ruinous prices. Now, then, what does it mean? It means that Canadian standards of living have to compete with the oriental standards of living, and we understand—again I say this is my own opinion subject to verification—that one of the weapons or one of the threats at least held over the heads of the rubber manufacturers by the large operators is that if they do not give them the discount they want they will bring in imported goods.

*By Mr. Factor:*

Q. Yes, but we have also heard some interesting factors in regard to our own standard of living in the last couple of weeks?—A. Yes. And the rubber manufacturers—I give them this credit—they have tried to sustain the Canadian standards of living by organization and that sort of thing and this is what they are up against from all sides.

Q. What about the shoe factory that paid a girl \$1.50 a week for fifty-five hours?—A. That is not rubbers. I don't know. I hope it is not true that such things happen in the rubber factories. I do not know.

Q. Where are most of the rubber factories located?—A. Mostly in Quebec and in this province.

Q. Quebec and Ontario. Do you know anything about the rate of pay by the rubber manufacturers?—A. I do not, sir.

Q. You do not have that information?—A. I think you would have to investigate. I do not know where you would obtain it from the public source.

Q. I think it would be very interesting if Mr. Sommerville would make a note to investigate it too.

*By Mr. Young:*

Q. May I ask one more question in regard to rubber goods. With regard to these 300 co-operators that went in together to buy collectively, what kind of organization did they set up; did one man pay for them all?—A. Yes. One company paid the entire bill and collected from each individual.

Q. They took advantage of the cash discount?—A. Yes, taking advantage of every cash discount available. They were well financed. Summary—I think there will be a sigh of relief at this stage—the situation which I have tried to describe as applicable to Ontario has been reproduced from coast to coast and its effects will be further described by my colleagues. Our charge is that this system, eliminating the retail competitor, pressing upon the manufacturer and producer, lowering wage scales and forcing down the prices paid for primary products with further resultant restricted purchasing power, longer hours and lower standards of living has now completed its vicious circle and has demonstrated that it has built its volume and its machine, benefiting a few at the expense of Canada as a whole.

There is not a community, a business nor an individual in the province of Ontario not directly or indirectly affected by this merchandising monster. Its expansion has created an overhead based upon a capital structure, the product of unlimited and optimistic ambitions. That overhead can only be sustained by an ever-increasing volume which exerts its colossal pressure upon department managers, manufacturers, producers and wage earners, in a relentless squeezing-out process.

We ask that this mechanism be restricted in its predatory career. For reasons of self preservation? Yes, but also in the interests of the greatest good of the greatest number. We submit that we are all bound together by bonds of economic steel, the producer, the manufacturer, the wage earner, the professional man, the taxpaying landlord. In essence, what we have to decide is whether we shall all work for the merchandising syndicates or whether opportunity shall be restored to the individual.

It was the individual business man who very largely built our communities. Around him and through him grew up standards of living and contentment which made Canada the envy of the world. He sowed but another reaps. Does the chain store pioneer? It does not. Pioneering is not done by machines. The chain store, mail order house, the giant department store organization with its far-flung tentacles is a soulless distributing machine geared for volume, screaming for net profits.



The Retail Merchants' Association welcomes this investigation and in conclusion respectfully offers the following suggestions.

Before possible remedies can be discussed, it seems to us that certain machinery will have to be established which is not now in existence. In previous years the Retail Merchants' Association of Canada pressed upon successive governments the desirability of the establishment of a department of domestic distribution within the department of Trade and Commerce.

In principle our position has not changed in that regard and our present recommendations would therefore be that something in the nature of an economic council should be set up truly representative of the various interests in the economic structure, with observers from the Department of Trade and Commerce sitting in upon the deliberations of such a council or its committees as occasion might require from time to time.

Such a body should be something more than merely a fact finding commission. In it should be vested powers of control through the adoption of fair trade practice regulations and where these needed to be reinforced by legislation, constructive recommendations along this line could be passed on to the government of the day.

*By Mr. Factor:*

Q. That would be rather a provincial matter than a federal matter. Do you suggest that it be a Federation National Economic council?—A. I think for purposes of control, Mr. Factor, it would have to be. There would be provincial units that could function in provincial matters.

Q. That everlasting constitutional difficulty always creeps into these matters?—A. Yes; but the government is always well supplied with lawyers.

Q. You think the lawyers could get over that difficulty?

*By Mr. Kennedy (Winnipeg):*

Q. Mr. Hougham, apart from the government being well supplied with lawyers, isn't it a practical possibility?—A. Yes. I did not intend to be—

Q. It really comes under provincial jurisdiction; that is generally recognized, is it not?—A. I would think, Mr. Kennedy, that in such matters, for instance, as minimum wage it would be my opinion you would have to have it controlled in a Dominion way, or else by co-operation among the provinces.

Q. I think it is recognized by business men as well as by lawyers that that is a matter of provincial control?—A. Well, it has been; is it to remain that way?

Q. There is no general dispute about it at all; it is not a question for argument; it is generally conceded?—A. Is it not possible to change that?

Q. You would have to change the British North America Act.—A. Well, a good many antiquated things have been changed in the past.

Q. Quite true; but I am speaking of dealing practically with things as they are. I think the situation is generally recognized that matters of wages are under provincial jurisdiction?—A. They have been, sir; but if we prove—if we have discovered that the provincial system of control is not effective, then it would seem to me a matter of common sense to find something that is effective.

Q. Yes, true.

*By Mr. Sommerville:*

Q. If trade has developed into interprovincial channels?—A. That is my point, yes.

Q. Then you may even mean federal legal control of interprovincial trade?—A. That is the thought I have in mind.



The CHAIRMAN: In any case, that is your suggestion, constitutional or otherwise.

The WITNESS: Exactly. The setting up of such an organization implies the principle of social control of business enterprise through organization within industry, which is in line, I believe, with the best thinking of impartial observers of current business trends.

*By Mr. Young:*

Q. Social control of business enterprise through internal organization?—A. Yes, sir.

Q. That is to say, the state would control our drygoods business?—A. No. Don't misunderstand me. The word "social" does not necessarily mean government.

Mr. SOMMERVILLE: Social as opposed to state.

*By Mr. Young:*

Q. The drygoods industry would be controlled by a group of men in that industry, is that it?—A. Yes, elected within the industry.

Q. It will do what—regulate prices?—A. It will go right into this whole business set-up—I do not like the word because it has been overworked—but codes, if you like, or trade practices, or exchange of merchandise and a lot of other things of that sort.

Mr. FACTOR: There will have to be some legislation to give effect to this.

The WITNESS: Yes. Probably so.

*By Mr. Young:*

Q. I want to find out what they are going to do. They are going to determine the quantity of goods produced, the condition under which they are produced, the price that will be paid for the raw material, the wages paid, the salaries that will be paid, the returns; all this is to be controlled by your council?—A. It is my opinion merely as a student. Perhaps in this connection I may not be stating the views of the retail merchants as a class, but I will say we are inevitably heading in the direction of some such control as I have outlined specifically.

Q. That is what you advocate?—A. Yes.

Q. Your association advocates that, or are you speaking personally?—A. I say I will have to dissociate myself from that particular reference. That may not be the official view of the association as such.

The CHAIRMAN: What you are reading is the official view?

The WITNESS: Yes.

The CHAIRMAN: Read it again, and we will know what you mean.

The WITNESS: May I explain what I mean by social control? I mean the principle, not the mechanism. I mean that we have passed from the stage where business, any kind of business, could say, we will do this, like this, no matter who is hurt. The people to whom they supply their merchandise have the right to have some share in the shaping of the policy. That is what I mean.

*By Mr. Sommerville:*

Q. Anything else is social, against this rugged individualism?—A. Yes, sir, that is my point.

*By Mr. Young:*

Q. Have I got it right? Control of each industry is to be placed in the hands of those who were engaged in the industry?—A. Because they are most

competent to do so, but the government would have the right to oversee his agreements and arrangements so that they would not be against the interests of the consumers. That is the thought I have in mind.

Q. You think the government is quite qualified to take care of the consumer in every case?—A. Let me say paramountly.

*By Mr. Factor:*

Q. That is practically along the lines of the Code system in the United States, in which industry summarizes a code, and then the government, after conference with the leaders of industry, approve of it?—A. Yes. We would have to proceed by the method of trial and error.

Mr. FACTOR: You will have to amend the constitution.

*By Mr. Sommerville:*

Q. I presume you are not qualified to speak on the codes of the United States?—A. No.

Q. You are speaking of the principle involved?—A. The principle. To such a council, representatives should come from accredited organizations of manufacturers, wholesalers, retailers, farmers, labour and consumer organizations.

*By Mr. Young:*

Q. Would you mind intimating what consumer organizations you would invite to join?—A. Well, broadly speaking, at the moment, consumer organizations possibly are best represented by farmers and labourers. It should be within the scope of such a body to explore all the possibilities of collective action among its constituent groups. Trade agreements, including the fixation of a resale price, could be investigated, reported upon, and where such agreements were not considered inconsistent with consumer interests, should be encouraged.

Complaints by any person or group of persons claiming to be subject to unfair or unethical competitive methods could be ventilated before such a council. Investigations should follow, and where necessary, remedies enforced. Any commercial legislation which is now on the statute books, and which either operates unfairly or has become inoperative, or by reason of a changed merchandising conditions has become obsolete, should be considered by such a council, and where circumstances justify, the council could make recommendations to the government to bring such legislation down to date.

Such matters, for instance, as fraudulent or fake bankruptcy, misrepresentation in advertising, factory and store hours, wages and conditions of employment should come within the purview of such a council. All these things enter into the warp and woof of our economic fabric and cannot be dissociated from each other.

Mr. FACTOR: Where did I hear that expression before, "warp and woof?"

Mr. SOMMERVILLE: You are in the carpet business. That is what happens when you are on the mat.

The WITNESS: In the matter of fraudulent advertising, for instance, while the law itself has been strengthened in recent years, the onus of prosecution still rests upon private parties, and as an association, we have experienced great difficulty and expense in making the law effective.

The CHAIRMAN: That is something you recommended some years ago?

The WITNESS: And I am very much concerned about it, Mr. Chairman. Police courts, in our opinion, are unsuited for commercial cases. The very atmosphere of the court in which cases are heard with reference to misrepresentation in advertising, is unsuited to the purpose.

*By Mr. Boulanger:*

Q. Would you advocate the creation of commercial courts?—A. Yes.

Q. As they have in France?—A. Yes.

Q. As the Tribunal de Commerce of France?—A. Yes that sort of thing.

The average police court magistrate, whose back-ground and experience does not usually include commercial or business training of any kind, is called upon to adjudicate upon technical questions outside the range of his knowledge. Naturally he hesitates to convict alleged offenders because such conviction comes under the Criminal Code, and he does not want to make criminals of people who in his judgment have merely been guilty of technical violations of that code. We have actual evidence available proving this statement.

There needs to be a new approach to this and associated questions, and the economic council could conscript the thinking of the best minds in the business world with the result that such legislation as might be finally drafted would reflect the practical experience and practical recommendations of practical business men.

In no field of retail distribution is it so vital to exercise effective control than in the disposal of bankrupt stocks. In that field the unscrupulous operator reigns almost supreme, with demoralizing results to legitimate retailing, together with wholesale deception practised on the consumer. The clothing business has been particularly the victim of this type of exploitation and it should not be beyond the power of such a council as is here suggested to effectively control that situation either internally or through legislation.

Finally, a more practical training should be made available for the rising generation in the science and mechanics of distribution.

In listing the five great intellectual professions that have hitherto existed in every civilized nation, John Ruskin places the merchant second in order of importance to the economy of the state. He calls merchandising a profession. What is a profession? A profession is that in which the good of the whole receives first consideration, in which competition is a matter of service, not to the exclusion of profit but to the distribution of it in terms of human welfare. The qualifications for entrance to a profession imply training, and this has been conspicuously absent in our educational curricula in so far as merchandising is concerned.

An economic council could give serious study to this phase of the question and out of their combined deliberations and with the collaboration of progressive educational authorities, a new dignity, with higher standards, could be given to this whole business of the distribution of the physical needs of the people.

The introduction of ethical standards in the legal and medical professions has raised the status of the individuals in those professions. We choose our doctor or our legal adviser for their knowledge, skill and integrity. Why should we not choose our merchant for the same reason, and if, through training, we can qualify him to render a more efficient service, meanwhile controlling his predatory competitor, then the individual retailer may yet lift his head in self respect knowing that the test that will be applied to his service will not be on the low ground of cheapness but upon the high ground of service. I respectfully submit this memorandum. (Exhibit No. 44.)

The CHAIRMAN: Well now, Mr. Hougham, we have had you on the stand for a long time. You have certainly presented a very excellent brief. I do not think we shall question you any longer. Does any member wish to question Mr. Hougham any longer?

Mr. YOUNG: Yes. I should like to ask a question.

The CHAIRMAN: See that it is not a leading question.



*By Mr. Young:*

Q. You frequently hear it said that we have solved the problem of production, but have not solved the problem of distribution. Forget about the first part of the statement for the moment. Do you agree with the second part?—A. Yes.

Q. Do you mind telling us now what you mean by not having solved the problem of distribution? What is the problem of distribution?—A. Well, Mr. Chairman, we are going to invade the realm now of political economy and philosophy. But with that reservation, I would say that I would simply quote from what I have said, here, distribution in terms of human welfare.

Q. What is the problem?—A. This, as I say, is a realm into which I do not think we can go this afternoon. I would be glad to spend an evening with you, if you would give me the courtesy.

Mr. SOMMERVILLE: Come up and see me some time.

*By Mr. Young:*

Q. Under the terms of its reference this committee is instructed to inquire into the spread between the price the consumer pays and the price the producer receives for goods?—A. Yes, sir.

Q. That is involved in the problem, is it not?—A. Yes, undoubtedly.

Q. Is not the problem to get the goods from the producer to the consumer at the lowest possible cost?—A. Not necessarily, sir.

Q. No, what then?—A. Not necessarily, I suggest the cost separated from all the other factors is an unwise way of dealing with the question. I have tried to bring out the fact that mere cheapness is not necessarily expressed in terms of human welfare, that it may have a demoralizing effect. That is the problem, and I submit that I am nothing more than a student of that problem.

*By Mr. Somerville:*

Q. If cheapness demoralizes wages, then it is not a good gauge, that is your point?—A. That is the point.

*By Mr. Young:*

Q. Our task here is to investigate that spread?—A. Among other things.

Q. And my impression is that it is too wide in this matter of cost?—A. Yes.

Q. The general impression is that the spread is too wide. We are here to find if it is too wide, and where it can be narrowed. Now, have you any suggestion to make as to how that spread can be narrowed?—A. I have not, sir.

Q. Can you tell us whether goods can be carried from the producer to the consumer at any less cost by the department store, or the chain store, or the individual store, or by any other method that you know of?—A. I do not think I am in a position to answer that.

The CHAIRMAN: It is now 6 o'clock, gentlemen, and the committee will adjourn to meet to-morrow morning at 11.

The committee adjourned at 6 p.m. to meet again Friday, March 9, at 11 o'clock a.m.



HOUSE OF COMMONS, Room 368,

March 9, 1934.

The special committee appointed to inquire into price spreads and mass buying met at 11 o'clock a.m., the Honourable H. H. Stevens presiding.

Mr. Norman Sommerville, K.C., of Toronto; Mr. W. W. Parry, K.C., of Toronto, appeared as counsel for the committee.

The CHAIRMAN: The minutes of yesterday record the filing of a series of exhibits, and the names of two witnesses who have been heard. If there is no objection or questioning on those minutes, I declare the minutes approved.

(The clerk read and filed a reply to the questionnaire forwarded to the Minimum Wage Law Board of the Province of Alberta).

GEORGE H. HOUGHAM recalled.

*By the Chairman:*

Q. I understand you request to be heard in reference to one matter that was mentioned yesterday. What was that?—A. Just one item, Mr. Chairman. Some reference was made several times, as a matter of fact, to the possible influence of advertising on the press; and I would just like to file with the committee here, copies of some communications which have come into my possession, and which are apparently being circulated by the chain store organizations, which I think the committee ought to have (Exhibit No. 46.)

*By Mr. Sommerville:*

Q. This is a letter and correspondence from the Canadian Chain Store Association?—A. Yes.

Q. 1606 Northern Ontario Building, Toronto?—A. Yes.

Q. The letter is dated February 24, 1934, and is marked "confidential."

GENTLEMEN:

The suggestion has come to us that we should write to you to tell you of the organization of the Canadian Chain Store Association. The purpose of this Association is set forth in detail in the constitution and by-laws, copy of which is enclosed, but may be summarized by stating that the objective over a term of years is to win public goodwill for the chain store principle and on specific occasions to combat unfair and unreasonable legislative proposals.

The letter then goes on to give the purpose for which the association was formed, and the annual fee, etc.

One of the first things confronting the association was the address of the Hon. H. H. Stevens as to mass buying and the subsequent announcement of the parliamentary inquiry. There will be no formal presentation of the chain store case by the association as such but a legal firm has been retained to watch our interests and advise members.

I may say that my duties as secretary-treasurer are not confined to the keeping of records and the carrying on of the routine business of the association. My function will be primarily to get before the public, in



the news and editorial columns of Canadian newspapers, the merits of the chain-store idea. The objective is the ultimate acceptance by the public of the fact that chain stores perform a useful economic service.

Attached to the letter is bulletin No. 2.

**Attitude of Newspapers.** Canadian newspapers undoubtedly will give a great deal of space to the mass-buying inquiry and there is a danger that facts as adduced by the committee will be inadvertently twisted so as to show up the chains in an unfavourable and erroneous light. The newspapers undoubtedly as a class are friendly to the chain store idea but it cannot be expected that this will prevent their printing the news as it develops from day to day.

The secretary-treasurer has interviewed a number of editors on this subject. The purpose of this is not to suggest that the chains be given special consideration in the treatment of the news. Neither has any editor been asked to say anything which he does not believe to be true and right.

But it is hoped that, as a result of these conversations the editors in their comments will continually make the point that the chain-store principle is economically sound and its development in the public interest; that any evils which may possibly be revealed as applied to any one, or more, chains, do not condemn the system and that correctives—if the inquiry indicates that any are feasible—should be not be so drastic as to rob the public of the advantages in retailing which have resulted from chain-store development in Canada.

With the approval of the executive, it is planned to see many other editors in the course of the next few weeks."

The bulletin contains a list of members as follows:—

"New Member." Piggly Wiggly Canadian Limited, Winnipeg, has become a member of the association. Complete list of members is

Dominion Stores, Ltd., Woolworth Co., Ltd., United Cigar Stores, Ltd., Owl Drug Stores, Ltd., Evangeline Shops Ltd., Stop and Shop Ltd., Honey Dew Ltd., Loblaw Groceries Ltd., Agnew-Surpass Shoe Stores, Ltd., Zellers, Ltd., Laura Secord Candy Shops, Ltd., S. S. Kresge Co. Ltd., Hunt's Ltd., L. K. Liggett Co., Ltd., Beatty Bros. Ltd., Murray's Lunch Ltd., G. Tamblin Ltd., M. & P. Stores Ltd., Carrolls Ltd., Metropolitan Stores, Ltd., Piggly Wiggly Canadian Limited.

*By Mr. Ilsley:*

Q. This is a confidential letter from whom to whom?—A. From the Canadian Chain Store Association to its members.

Mr. SOMMERVILLE: Canadian Chain Store Association, signed by J. G. Johnston, Secretary-Treasurer.

*By Mr. Ilsley:*

Q. It ceased at some point to become confidential?—A. Apparently it did.

Q. That includes the bulletin?—A. Yes; that is a copy of the bulletin. There are several others that are being circulated at this time by the recently formed association.

Q. Of chain stores?—A. Yes.

Mr. FACTOR: You obtained a copy from one of the chain stores?

WITNESS: I obtained a copy.

Mr. SOMMERVILLE: I understand the Manitoba Retail Association desires to present its case.

Mr. A. E. GRASSBY called and sworn.

*By Mr. Sommerville:*

Q. Mr. Grassby, whom do you represent?—A. The individual retailers of Manitoba.

Q. Is there a Manitoba branch of the Canadian Retail Merchants Association?—A. Of the Retail Merchants Association of Canada.

Q. Are you engaged in that branch or in that position?—A. I have no position in the branch; I am a member of it, and they have asked me to help present their case.

Q. You are in business in Winnipeg?—A. In the piano and radio business.

Q. Will you just present your views to the committee?—A. Hon. H. H. Stevens, Chairman of Parliamentary Committee for investigating unfair competition, etc. Representing the individual retailers of Manitoba in connection with the above investigation, we attach memoranda from the different trade sections of the R.M.A. in Manitoba, which my colleague Mr. Falconer will present in detail, covering a small proportion of flagrant cases. And I will first give a general view of the disastrous situation so created in our province. We desire first to record our firm protest against the unfair and destructive trade practices of a rapidly growing business section, the department stores and chain stores, also of many manufacturers who give these institutions excessive and illegitimate discounts, to the direct and serious disadvantage of the individual retailer. We consider that where a manufacturer supplies approximately 50 or 60 per cent of his output to department stores and 50 per cent or 40 per cent to individual retailers, there is obviously no difference in the cost of manufacturing each unit. The cost of collecting from the individual retailers may be a fraction of one per cent higher than on the other portion, but a discount of 2 per cent for cash should be ample, instead of the all too common 5 per cent, 10 per cent, 20 per cent, 25 per cent and more. Selling costs should be spread over each unit equally, because the 40 per cent output, the 60 per cent would cost more to manufacture.

*By Mr. Hsley:*

Q. How do you arrive at the 2 per cent which you say is ample? Is that 2 per cent just an estimate?—A. The usual cash discount which is supposed to represent the difference between 30 days or 60 days, as the case may be, and a cash sale. It is a very heavy percentage per annum, 24 per cent, sometimes more.

*By Mr. Kennedy (Winnipeg):*

Q. The 2 per cent represents the cash that they would count on getting from the department store?—A. Not necessarily, anybody that pays cash.

Q. Would not the hazard on the general retailer be greater than that in the case of the department store?—A. Not without the menace of cutthroat competition.

Q. As things are?—A. As things are. And even then, not necessarily if they have a credit department to choose their credits.

*By Mr. Edwards:*

Q. What would you say about selling to 100 retailers as against one department store?—A. It depends on the trade, I suppose. In my trade, it does not cost a thousandth part of one per cent.

Q. Not even with travellers going into each town calling on the trade; that is an expensive proposition?—A. In some cases.

Mr. SOMMERVILLE: The travellers call, in any event. In these industries, they are calling on both the departmental and retail stores.

WITNESS: Naturally in the general interest of all.

*By Mr. Ilsley:*

Q. There has been always a large number of failures in retail stores?—A. Recently.

Q. And many years ago as well. It seems to me I remember reading figures of failures 20 years ago, and these figures showed a large percentage of failures in the retail store business?—A. You probably refer to the period since the advent of mechanized merchandise.

Q. I do not know just when that mechanization came into effect. What I am asking is, has that not always been the case?—A. I cannot say that; up to a certain point.

Q. Do you know whether any such figures would be available?—A. Dun's and Bradstreet's, I presume.

Q. They would not be tabulated in a concise form?—A. No doubt the committee can get data on that point.

Q. I was suggesting that as a reason for Mr. Kennedy's point?—A. We contend the hazard should not be large with ethical merchandising. Shall I continue?

The CHAIRMAN: Yes.

WITNESS: In no case should any retailer be given a discount as great as, let alone more than a wholesaler receives, as the latter supplies the trade and fills a long established and necessary niche in commerce. Manufacturers should be required to file their rates of discount.

An adjustment of the above mentioned evil would result in the government receiving larger sales tax receipts. Such preferential discounts results in these stores underselling the individual retailer who is placed in the position of actually paying part of the department store invoice price which is thus used against him to cut the price, discredit and despoil him, in addition to which the individual retailer with his ordinary margin and ethical observance of the manufacturer's rules and prices constitutes a wide open target for the department store to automatically score against in many ways.

The business and realty tax assessments on the Eaton building are not consistent with their real or comparative value so that in effect, the individual retailer is paying part of Eaton's taxes.

*By Mr. Factor:*

Q. What do you mean by the last statement, that they are not consistent with the real value? Do you mean it is under-assessed?—A. Absolutely. They have 150 stores the size of mine in that building and more than 150 times my volume. I think they could pay that proportion of taxes.

Q. That is a matter for the assessment department in the city of Winnipeg, is it not?—A. Probably. Also a matter of habit.

Q. A matter of what?—A. Habit.

Q. What do you mean by that?—A. Some districts are terribly department store conscious.

Q. You mean it extends so far as the municipal government is concerned; is that what you are implying?—A. They are composed of human factors and human interests, and I suppose they get the department store obsession in some cases.

*By Mr. Ilsley:*

Q. They desire to foster it; is that the idea? Do they cater to it?—A. I think they actually invited them and gave them a special assistance to come and cut the throats of retailers.

*By Mr. Sommerville:*

Q. The assessment you refer to is the result of an arranged assessment, or a fixed assessment some time ago?—A. It used to be, and since that I am told on good authority that their assessment is still low—much lower than it should be.



Q. Your point is that the assessment is relatively lower than it is for the retail merchandiser?—A. Exactly. I am paying part of it.

*By Mr. Young:*

Q. Have you any figures?—A. No. I have not. In addition he pays part of the department store advertising costs because their advertisements cost just as much to set and print per line as any other but their rate is much less. The hackneyed claim that the department store advertisement has greater news value is misleading because its news value is mostly if not entirely due to the above mentioned illegitimate or illegal means. The system of loss leaders, whether to attract as a bait or to discredit ethical competitors, is unsound and vicious. It is forbidden elsewhere and should not be allowed.

Q. Where else is it forbidden?—A. In certain European countries and in the United States.

Q. Is it forbidden in the United States?—A. So I understand.

Q. Is that practice dying out in this country?—A. Not up to the discovery of the forgotten retailer in a recent speech.

Mr. FACTOR: A pretty lively baby yet.

WITNESS: Unfortunately the offering of half a dozen or even twenty or fifty units to a population of 300,000 gives a totally unfair impression regarding price levels besides destroying the confidence of the buying public. The other day Eatons put on radios at \$9, radio combinations at \$12.75. During the day we had eight or ten inquiries for \$9 radios that they could not supply. One lady said, "Eatons must be a funny crowd. I was up there a quarter of an hour before the store opened and when I asked for the \$12.75 combination I was told it was sold, and nobody else there ahead of me." To the trade it does serious damage and besides giving this significant advantage to a handful of people, the effect if not the intention, is to definitely harm and discredit the individual retailer, and integral part of the business building, community building and tax paying body. Under these conditions and the quickly developed dislocation of business, personnel, ethics, confidence, etc., the apparent bargain is more an economic blunder or crime.

Frequent special sales made possible by department store massed buying and price dictation, and repeated cut-price offers on all brands but their own, accentuate the mistaken policy of excessive thrift at a time when normal spending by all possessing buying power is vitally necessary. The preaching and practising of thrift are better reserved for prosperous times.

The extremely long hours of the chain stores and the low wage levels and buying power of the chain stores and department store employees are too well known to enlarge on here. There should be satisfactory methods of more closely checking up so-called bankrupt sales. Bankrupt and surplus stocks should not be allowed to disrupt the trade but should be distributed in an orderly fashion through the trade association. The inevitable and early result of these low prices, enforced sweatshop factory wages, shattered buying power, destroyed community centres, low scale of department store wages, large department store profits and unjustifiably destroyed competition, will be a growing and dangerous monopoly unless arrested.

*By Mr. Sommerville:*

Q. What do you mean when you refer to cut prices on all brands but their own?—A. They religiously regard their own brands in all lines, and in others too, and the better known standard brands that they can get hold of and cut. It affects the individual retailer and presumably helps themselves.

Q. You mean the nationally advertised brands?—A. Exactly.

*By Mr. Young:*

Q. You mean if they make an article themselves and also sell the same article made by somebody else they will cut the price on the other fellows and keep the price up on their own article?—A. Exactly, lower the articles made by other people for themselves.

Q. What effect would that have on their own factory?

*By Mr. Sommerville:*

Q. I suppose they could not use their own brands as a loss leader?—A. They never do. They have not the reputation.

Q. They are not nationally advertised?—A. Exactly.

*By Mr. Edwards:*

Q. Is not the idea that no one could procure those brands—you could not buy one of those brands?—A. You say I could not or I would not?

Q. You could not buy one from the factory at the factory price for retailing?—A. I do not know about that.

*By Mr. Sommerville:*

Q. Not with their brand on it?—A. No, not with their brand on it. You could not get back on them that way.

Q. You could not advertise their brand as a loss leader in their store?—A. Oh, no.

*By Mr. Kennedy (Winnipeg).*

Q. When you refer to their own brand, you do not refer to articles manufactured in their own factories?—A. Not necessarily. Including those articles made in their own factories.

Q. On their own specification?—A. I understand that is quite a work of art in some cases.

Q. With their trade mark on it?—A. And with their trade mark on it—such as "The Eatonia." I forget the radio stencil at the moment. It is not much of a factory anyway. One effect of this unethical merchandising in practically all trades is clearly illustrated by the small number of furniture merchants left in Winnipeg—one only of any size outside of the two department stores. In recent years, large firms including Leslie, Scott, Jerry Robinson, Banfield, Crescent, Overland, Sterling, Lewis, etc., good community conscious citizen merchandisers have all been forced out of the picture commercially and their premises are vacant or soon will be.

*By Mr. Young:*

Q. In what period of time did this happen?—A. Oh, I should say the last ten or fifteen years. Another evidence of this vicious and unwarranted transference of commercial activity is the diminishing number and value of income tax returns—the depreciated value of prominently located real estate, the type of insignificant one-story metallic buildings on a fine thoroughfare like Portage avenue—supposed to be one of the finest streets in the world—the poor tax collections and considerable arrears of rent of practically all the independent retailers. As a comparison it might be mentioned that the Vancouver retail district is more than twice the area of that in Winnipeg.

*By Mr. Sommerville:*

Q. You mean the Vancouver retail district?—A. Yes, sir. They are not so much a two-store town as Winnipeg.

*By Mr. Factor:*

Q. How many departmental stores are there in Vancouver?—A. I could not say. I think probably two or three, but they are not huge affairs.

*By Mr. Sommerville:*

Q. They are Spencers, the Hudson Bay and Woodwards, are they not?—A. I believe so, yes. A little story here might point a moral. I was talking to a trade colleague one day who was out collecting for the Federated budget as they usually did, and the subject of department store competition crept up, as it frequently does, and he made the remark—this was some months before he was forced out of business and still trying to avoid the fate I suppose—he said, “I am doubtful so far as ‘up-the-street’ being on the Federated budget; their buyer is down east and grinding some manufacturer to give them a special to cut the daylights out of me.” That is the way he looked at it. In a comparatively short time he was out of the picture. The effect on community life is extremely harmful, the community conscious citizen’s efforts being obviously circumscribed while the department store community efforts and subscriptions compare very unfavourably with those of the individual retailer in normal times. This added to the well-known difficulty in securing subscriptions and support from western branches of eastern concerns creates a very unsatisfactory community spirit and situation.

*By Mr. Factor:*

Q. You mean they do not operate for philanthropic purposes?—A. No. Many of them find it necessary, or say so, to refer to head office, and that is usually the end of it. Another serious result is seen in frequent strikes and labour troubles caused by the department store low price dictation, which troubles the department store conveniently escapes—but not so the people who are depending on the buying power of the wage earner so affected. We would all be better off if we paid a fixed price for everything we need.

*By Mr. Kennedy (Peace River):*

Q. Do you advocate a fixed price on all articles of commerce?—A. Yes, more or less.

*By Mr. Edwards:*

Q. You mean a resale price fixed by the manufacturer on his particular produce?—A. Yes. I contend that that kind of arrangement can be more closely censured and controlled in the interest of the consumer than the present arrangement or disarrangement we have.

*By the Chairman:*

Q. Is that not what we call a maintained price?—A. Yes, Mr. Stevens.

*By Mr. Sommerville:*

Q. You have this price fixing controlled in some way?—A. Yes. I will give you some data on that in one second. We would all be better off if we paid a fixed price for everything we need if back-door wholesaling and chiseling were done away with, if the importance of the system of distribution established for so many generations—retailer and wholesaler or commission agent between the producer and the consumer were respected and maintained. Wages would then correspond, also buying power and continuity of circulation. Any danger of fixed excessive prices could be avoided by a consumers’ price control board or by some such method. It is becoming evident to the consumer that in paying a fair price he is protecting the community, the economic structure and his own income.



*By Mr. Factor:*

Q. What do you mean by a consumer's price control board?—A. I understand that is either intended or in operation in the United States.

Q. How does it work, do you know?—A. I could not say, except my impression is that in many large cities and in a large number of the large cities they have some organization to tabulate the prices of commodities practically every day to see that no district is taking advantage of too great increases.

*By Mr. Sommerville:*

Q. When you refer to that I suppose you mean there those code authorities?—A. Yes.

Mr. FACTOR: That is not a consumers price.

*By Mr. Sommerville:*

Q. The code authority in the United States is made up of representatives of the consumers, representatives of the manufacturers, and representatives of the distributors, and they hold their open sessions.

Mr. FACTOR: That is not what the witness is referring to. He says the Consumers Price Control Board. I thought perhaps he could give us a little more detailed information.

The WITNESS: I think it can be easily ascertained.

*By Mr. Factor:*

Q. What State is it in operation in, where could we get the information on that?—A. My good friend Gen. Hugh Johnston I guess would oblige.

*By Mr. Sommerville:*

Q. That is the man in charge of the N.R.A.?—A. Yes, Mr. Sommerville. Recently one of the largest departmental stores in London was compelled to publish a large advertisement apologizing for having unwarrantably reduced the price of a comparatively unknown make of radio. It might here be noted that doctors, lawyers, accountants, etc., have each observed uniform charges over a considerable period with great success.

*By Mr. Young:*

Q. Is that London, Ontario?—A. London, England.

*By Mr. Sommerville:*

Q. What are you referring to there is the fact, that in England such agreements are made?—A. Yes.

Q. And maintained?—A. Maintained.

Q. And you are giving us an illustration, and that there they are not contrary to the law?—A. Exactly.

Q. And apparently on this occasion one big firm had to apologize for having disrupted this maintained price?—A. Exactly, Mr. Sommerville.

Q. It is just an illustration?—A. Yes.

*By Mr. Ilsley:*

Q. An agreement between manufacturers to keep the price at a certain level, is that what it is?—A. Yes, largely.

Q. That is contrary to the law in this country, is it not?—A. I don't know about that. I am not sufficiently acquainted with the law.

Mr. BOULANGER: It is not a matter of law; it is a matter of agreement.

The WITNESS: All those with experience of the enormous advantage and security of the old Victor, Edison and Columbia phonograph and record price maintenance agreement, cheerfully testify to its enormous contribution to ethical

merchandising, price complex, buying confidence, trade stability, fair return, wage levels, buying power and standard of living, grade and prestige of merchandiser and staff, pride of ownership, intrinsic value, and general economic stability. While this system was in force, under the protection of their patents and before all and sundry jumped into manufacture chisel and disrupt there was no such thing as a free record or a one dollar cut permitted under pain of losing the agency. Everybody benefited. We need this arrangement under trade codes and government protection in every line of trade as well as moderation in the number of trade outlets.

*By Mr. Ilsley:*

Q. Possibly we are not all acquainted with that. What do you mean by a dollar cut and the losing of the agency?—A. If under the agreement at that time, which was part of their patent rights I believe, you reduced the price of a one hundred dollar radio or a victrola to \$99, you would be liable to lose the agency.

Q. That is the Victor, Edison or Columbia?—A. The Victor, Edison and Columbia phonograph and record price maintenance agreement.

*By Mr. Factor:*

Q. And you say you are in favour of the principal of such price fixing arrangements?—A. Absolutely and unequivocally. There is nothing like it. With an easily controlled ethical combine of this kind, the trade, economic structure and consumer can be much more adequately controlled. There is a great difference between a government in business and a trade organization regulating business with the sanction and protection of the government.

*By Mr. Kennedy (Winnipeg):*

Q. If there is no competition on price on a given commodity then there would be no competition at all?—A. Excuse me, there is competition in service, personality, reputation, and service and fair dealing.

Q. But when they got the machine home, whether they got it from one retailer or another, the results would be the same?—A. It depends. The question of service enters into it.

Q. You mean service afterwards?—A. Yes.

*By Mr. Ilsley:*

Q. You would have it so that you could not dispose of surplus stocks at all?—A. Surplus stocks should be handled through the trade organization; they should not be allowed to disrupt the market and upset the price complex of the public.

Q. What trade organization?—A. Practically every trade has an organization, or an association.

Q. For instance, the retailers of the country are stocked up with a lot of a particular commodity and they cannot sell it at the price that is fixed; what would you do, would you get together and fix a lower price to try and dispose of it at that figure?—A. That might be allowed in some cases. In other cases the trade organization might take hold of it and distribute it.

*By Mr. Edwards:*

Q. Does not that come under the head of selling obsolete articles, for instance, a victrola that has improvements I presume supersedes the original victrola and then you have to get rid of the old article?—A. That is done in some cases, that has been frequently done.

*By Mr. Young:*

Q. How then would you adjust this price to market conditions, I mean fix a price at which things cannot be sold above or below that price, taken in con-



junction with the price of wheat, the price of livestock, so that the purchasing power of our people is materially altered? Would you adjust your price to meet that changed condition?—A. That is a matter for your trade organization to recognize and take hold of.

*By Mr. Sommerville:*

Q. Through this price fixing or control board that you speak of?—A. Partly.

*By Mr. Young:*

Q. Each board would make its own adjustment when it felt the need?—A. Each trade.

Q. No individual merchant could take the lead?—A. Exactly.

Q. And the man who found his stock was not moving because his customers' purchasing power was practically gone would have to call in the trade organization before he could make a move—A. That would be the idea.

Q. And, of course, that concerns the retailers, the manufacturers, and so on.

*By Mr. Senn:*

Q. Just along that line. Your organization extends to the rural districts and the smaller towns as well, does it?—A. Yes, sir.

Q. I noticed yesterday and to-day that most of the examples given are examples from the larger towns. Do you think that the same disruption of business occurs in the smaller towns all through your section as it does in the larger sections?—A. Yes, sir, and a great deal more. It appears to save the money with the one hand and is depressing commodity prices with the other.

Q. Well, are retail merchants in the smaller towns as seriously affected as the retail merchants in the larger centres?—A. As much if not more. The departmental store huge mail order business has half ruined every business and community centre by its unfair competition, their mail order prices being considerably lower than the local merchant, against which it is impossible for the country merchant to compete and pay the taxes which his unfair competitor escapes.

Bad as it is to cut or even apparently cut the prices of ordinary merchandise, it is far worse when farm and dairy product prices are deliberately depressed by the departmental stores and chain stores and others, because these commodities are the start and regulator of all business turnover. Buying does not commence with automobiles, diamonds, books or theatres but with farm products, which start the revolving trade snowball at a respectable size, or otherwise, according to the price level observed.

The average farmer now sees that just as the alluring picture in the mail order catalogue gives a wrong impression of the mutilated and abbreviated article eventually received in return for twice the normal quantities of farm produce, so is it a sham and a snare to apparently save him a dollar on the shoes and snatch with the other hand 30 to 50 per cent of his farm produce cost, not his price, by the effects of mechanised merchandising, to say nothing of the corner store club and community spirit. As he laces those shoes, even if exactly as pictured and expected, he is apt to mutter cut cut cut with each lace hole negotiated as he now realizes that any cut prices in evidence are at the direct expense of the individual retailer, his own commodities, and all standards.

As to the question sometimes asked as to the cost of distribution, this entails another question, which cost of the two? Do they refer to a normal civilized distribution, or to that type of mechanised distribution with all factors reckoned in terms of relief costs, morale, self-respect, standards of wages, buying power, living, confidence, ambition, ethics and all the advantages of ethical merchandising and sanity? We must not obscure the vision of the golden coin of future and standards by placing the nickel or cent too near the eye. To voice the question with anything like detail is to answer it. The



cheap distribution becomes dear and nasty, and the apparent dear becomes inexpensive and preferable. In other words, there is no such animal as an isolated or unrelated act.

Thanks to an awakened consciousness of the vital importance of our established economic structure and proven methods of merchandising, many are commencing to think differently about these apparently unimportant and routine details, and see that a far more sacred principle is involved, in fact none other than the maintenance and safe-guarding of the human welfare of the many rather than the selfish and inhuman advantage of the few.

In Germany and Italy, and other countries in Europe, department stores and chain stores are specially taxed and controlled.

Business should honour and be honoured; it should not be considered or made a "racket"; all in business should be registered or licensed and proved to be what they appear or pretend to be. If any person or institution desires to be identified with any trade, they should be first of all suitable for it, realize the honour and responsibility of it, be well equipped for it, and willing or compelled to observe its rules; he should play the game and not chisel or even risk damaging the rest of the trade, because it is now only too plain that the results are more far reaching and serious than we used to realize.

To disregard this rule is to endanger the vitally serious matter of the employment, buying power and standard of living of the many human beings that each member of that trade is supporting as the most important part of his business and community, and the most delicate and integral part of the economic structure.

Each trade should have its trade organization to regulate ethics and competition, which is a policy that is growing and succeeding elsewhere. Trade codes may affect, and justifiably so, a small vocal minority but will help the great majority of each trade, enormously strengthen the economic structure and increase general prosperity and confidence.

There is a great difference between a government in business and a trade organization regulating business with the sanction and protection of the government.

No matter how well our economic structure is rehabilitated with increased buying power and price level, unfair competition will soon destroy it by means of cut prices, lowered wages, buying power and morals, selfishness, buyers' lack of confidence and eventually a dangerous monopoly.

Up to the discovery of a government or minister that actually remembered the forgotten retailer, I had thought that our shattered farm produce price level was due 51 per cent to cut-throat competition and the price depressing accomplishments of the unscrupulous, and 49 per cent to the slavish adherence to export price levels even when below the cost of production of the primary products that regulate the volume of all business and services, but now I see that no matter how the economic structure and price level might be rehabilitated, the price depresser and cut-throat competition factor would wreck anything and everything and, therefore, I am compelled to the conclusion that the cut-throat competition and the price depresser are responsible for about 75 or 80 per cent of our trouble, and the other 20 or 25 per cent to the wheat export situation, probably.

We wish to make it clear that we are simply objecting to the unfair and disreputable practices of the departmental and chain stores and not necessarily to their entire set-up.

We trust that suitable and adequate measures will be adopted early by way of trade associations and codes under government authority to eliminate the abuses complained of.

We would point out, without over-stressing the necessity of a more christian spirit in business, that just as it is a serious mistake to overemphasize "price" in merchandising, so has it proved a greivous and costly error to have concentrated too much on budget balancing and the financial factor rather than the human, in our attempts at general recovery. If we concentrate on the human factor we shall automatically benefit both it and the financial.

This brief would not be complete without urgent reference to the necessity of immediately reviving buying power and confidence by means of sound and valuable public works which for interest and amortization charges will cost but a fraction of the relief costs, with none of the demoralizing influences inevitably associated with the latter, and will improve our natural resources, morale and prosperity. This new and frictionless buying power of public works plus synchronized agricultural prices, and ethical competition will ensure the end of this mechanized merchandising tragedy.

*By Mr. Sommerville:*

Q. Who is presenting the brief along with you?—A. With your permission, I will present the troubles of the radio trade. Mr. Falconer will present some cases referring to other trades.

MR. FACTOR: Now we are getting down to business instead of listening to a very nice lecture.

THE WITNESS: Thank you very much, Mr. Factor. Speaking for my own trade—the radio trade—obviously the greatest loss of all is the repeated slaughter sale. Time after time has the individual retail dealer been subjected to department store radio slaughter sales to the disruption of all semblance of orderly distribution and confidence. The sweat shop conditions in certain factories have enabled department stores to offer stencils and specials at huge discounts in unfair competition. Superfluous radio manufacturers—

*By Mr. Young:*

Q. Superfluous radio manufacturers, explain that to us? You mean there are too many of them?—A. There were about twenty-five instead of the five necessary

Q. Do you mean to say we have five times as many radio manufacturers as were needed?—A. No, but we had.

*By Mr. Edwards:*

Q. You would not suggest that could not be controlled, would you? It is anyone's right, for instance, to start into business, as many men do? That refers to price.—A. No, it refers to trade policies.

Q. If you have a properly fixed retail price with a fair spread, that is what I mean, then it is up to competition to regulate.—A. But why have twenty-five instead of five.

Q. Well why have twenty-five stores instead of five.—A. Exactly. We are getting down to that; we are getting down to the point where it is recognized that is a much more serious factor than appears on the surface.

*By Mr. Kennedy (Winnipeg):*

Q. Would you limit the number of factories in certain lines in this country?—A. Yes.

Q. Let us get that; are you recommending that if it were possible to do so, you would actually limit these manufacturers in certain lines in this country?—A. Yes.

Q. The same as is done in Italy?—A. I am not familiar with the Italian practice.

Q. That is the Italian practice, I understand; if you want to start manufacturing an article there you must receive a permit from the authorities?—I will say that the Italian brand of common sense is very good.

Q. That requires a Mussolini or a Hitler or somebody like that, does it not?—A. I don't know what is needed, but it is good.

Q. The practice that you are recommending already obtains in the matter of licensing hotels?—A. Certainly.

Q. You would recommend the carrying of that through to all lines of business?—A. Certainly; I think it is necessary for the prosperity of the people and the safety of the economic structure.

*By Mr. Senn:*

Q. Would you carry that into the retail trade?—A. Absolutely.

Mr. ILSLEY: That they should be licensed.

*By Mr. Edwards:*

Q. If you would carry it through, how many farmers would carry on business?—A. Now we are rather far afield, but certainly the question of production would undoubtedly enter in.

Mr. FACTOR: As far as the farmers are concerned, you are trying now to control the production of the farmers; it is the same thing.

*By Mr. Sommerville:*

Q. Will you proceed?—A. Superfluous radio manufacturers have lead to overproduction and the necessity of raising funds have often forced them to sell well known brands at ridiculous prices to the department store to be sold on the bargain counter, often at 33 per cent to 55 per cent off regular prices.

*By Mr. Young:*

Q. Just there, Mr. Grassby, what is the usual mark-up on radios?—A. The discount is around 40 per cent off the retail, sometimes more.

Q. I don't know exactly what that means; that is to say when the retail price is \$100—A. The consumer's price is \$100 and the retailer's is \$60.

Q. These people are taking off from 33 per cent to 50 per cent of that?—A. More than half the retail price; they are selling at less than half the retail price in some cases.

*By Mr. Factor:*

Q. Because the manufacturer sold the surplus product at a ridiculously low price?—A. Exactly.

*By Mr. Edwards:*

Q. That means a 60 per cent gross mark-up, does it?—A. Sixty-six—40 off 60—off the regular price; regardless of the interests of the manufacturers main trade and support. The effect on instalment sales on the individual dealer's books with unpaid balances greatly exceeding the bargain prices, the effect on the confidence of the buying public, price complex, trade stability, fair return, wage levels, buying power and standard of living, grade of merchandiser and staff, pride of ownership, intrinsic value and general economic stability and on the morale of individual dealers' sales staff, the public opinion of the individual retailer, may be more easily imagined than described. In the light of recent exposure the real cause of the famous or infamous Stratford furniture strike becomes clearer; also the inevitable result of such conditions in commerce, or shall we say in civilization?

In the Regina *Leader Post*, January 4, this year, a department store advertised trade-in allowances, on any old kind of instrument taken in in part pay-



ment, of \$25, \$35, \$42.50, \$50 and \$60 off regular prices. This was advertised by Eaton's.

*By Mr. Young:*

Q. Did they say that, that they would give these allowances on any old kind of thing?—A. For a one dollar phonograph, yes; and at a time when it was not authorized by the manufacturers. That has been done as Mr. Senn I think, mentioned a short time back with regard to obsolete models, but this is an up-to-date model.

Q. I am not clear on that; they are offering an up-to-date model, and if you buy this up-to-date model they will give you this price; did they say any old kind of thing?—A. Not in those words, but they do it. In fact, I have been told that if you are labouring under the disability of not owning an old, obsolete one dollar phonograph, they will take you over to a corner of the store and give you one—sell you one, so that you can turn it in at \$50.

*By Mr. Factor:*

Q. They have done it in Toronto the same way, allowed a certain amount for an old phonograph or an old radio?—A. Sometimes it is authorized by the manufacturer for certain reasons, and then everybody is on the same footing. But this is a case where they cut purely on their own, to the disadvantage of everybody else concerned.

Q. Does the manufacturer forbid them to do it?—A. In this case?

Q. Yes?—A. Absolutely against their instructions.

Q. You, as a private dealer, could not do it; the manufacturer would not let you do it?—A. No, under pain of unpleasantness, losing the agency perhaps. We also hold a letter of January 17, written to a western dealer—and the original can be inspected—saying that these trade-in allowances or discounts were absolutely unauthorized. The manufacturer therefore took back from Eaton's all of the radios of this make on their floor and cancelled their sales franchise.

In Winnipeg, where a \$25 trade-in allowance was similarly advertised by Eaton's, the same people took back forty-two radios to prevent further price cutting of this kind. They also advised Eaton's general merchandising manager that further breaks of this nature would result in cancellation of their franchise, as they are prepared to see that prices are maintained in fairness to all their other representatives.

Everyone in the radio trade here is willing to respect the manufacturers' wishes regarding sale price and to observe a sane and reliable trade-in allowance schedule except Eaton's who, apparently, are a law unto themselves. Contrary to the manufacturers' and local dealers' wishes, they consistently and heavily over-value goods taken in trade as part payment.

This year the radio manufacturers have come to their senses regarding prices and control of production; so that they no longer have a surplus to be compelled to sell on the department store bargain counter at prices disastrous to the trade and manufacturers, and ruinous to the local dealers who paid regular prices for their stock and were caught in the wine press time after time without rebates.

Hence the extreme department store is annoyed to now find an uncomfortable dearth of "specials," so, like the fire and smoke hat sale specialist who continues singeing more hats as required, they apparently are supplying the special by marking down or offering new current models very substantially less as "demonstrators," which term is ridiculous, to say the least. This practice is distinctly against the manufacturers' wishes.

A trade competitor tells me that they repeatedly find their prospective customers told by Eaton's that the model offered by the former at \$89 special was regularly sold by Eaton's for \$72.50, but they were just "out of stock"

I have a paragraph there on the advantages of price maintenance that I have already read to you. I have another paragraph on sheet music. Sheet music comes under the hammer. I have samples here.

*By Mr. Edwards:*

Q. Sheet music becomes obsolete very fast, does it not?—A. Yes, but not in twenty-four hours.

Q. It depends on the tune.

The CHAIRMAN: Who's afraid of the big bad wolf?

The WITNESS: Well, I won't take up your time by reading that. That is a general thing, cutting prices on sheet music, against the wishes of the distributor.

*By Mr. Sommerville:*

Q. Will you continue?—A. In another case we delivered a radio to a lady, and she was quite favourably impressed with it. When visiting Eaton's radio department she asked for a set specially advertised at \$49.50 but was told that this had been disposed of. As there was nothing else suitable at about that price, the salesman directed her attention to the latest model Victor R-31, price \$79.50, which was tagged at \$55 only, the former price having been crossed through. She was told that it was reduced on account of being shop soiled, and that it had never been off the floor.

This method of doing business is quite against the wishes and understanding of the manufacturer, especially with so recent a product which could not have been in Eaton's possession all told for more than ten or twelve weeks.

After comparing this radio with ours and the price, she decided to return ours and keep the Victor radio supplied by Eaton's at the cut price, not being interested in the mate of it offered by us at the manufacturers price, \$79.50.

The Victor Company's local distributor investigated the matter at our request, and was informed by Eatons that the reason for the reduction was that the radio had been "previously sold and repossessed," and was so sold to the customer mentioned,—which it was not. Neither could they very well have sold and repossessed within ten or twelve weeks in view of Eatons comparatively stiff terms of payment and stiffer credit department.

Had the radio really been sold and repossessed in the short time it was out of the factory, it was against the manufacturer's rules to do this.

*By Mr. Edwards:*

Q. You mentioned one department store there all the time; would the same apply to the other large department stores there?—A. Not so much. At times, yes, but the general consensus of opinion in Winnipeg is that the Hudson's Bay Company have been forced into this kind of merchandising in self-defence. For years and years they have been doing business in Winnipeg and had the reputation of being—well, I don't want to advertise the Hudson's Bay Company particularly, but they have the reputation, or had the reputation of ethical merchandising and so on. I am quite convinced in my own mind that they would be only too glad to play the game, and as a matter of fact, in my own mind they are very much better competition.

The same thing applies to pianos. The same store recently advertised good second-hand pianos from \$50 to \$90, the latter apparently modern and unusual value. This is a ruinous price, and may be on very few instruments as bait for a much larger market or done to depress the price of pianos taken in trade on radios and refrigerators. They are also said to have bought some pianos privately. I won't give any more of that, except to say that you can judge for yourselves of the results of this price, price policy, when the people will come into our store and as common occurrence ask, "What have you got in the \$75 pianos?" Imagine that.



*By Mr. Sommerville:*

Q. Your point is that, by advertising at a certain price, you fix a certain amount in the public mind?—A. Exactly.

Q. And that affects that business?—A. Exactly, public confidence.

*By Mr. Young:*

Q. Before you go, Mr. Grassby, I would like to ask you a few questions how many members have you in your association?—A. I really could not say.

Q. Approximately how many, in the Manitoba branch?—A. I could not say. Frankly, not so many as there will be in the next sixty days; because like everything else, it has suffered from the inroads of the mechanized merchandiser. The retailers lost heart.

Q. Have you any voluntary chain stores in your organization?—A. That I could not say; we would accept individually owned chain stores.

Q. Individually owned chain stores?—A. Yes.

Q. Who are the Merchants Consolidated of Winnipeg?—A. I could not say. I have heard of them. I presume it is a co-operative buying concern, is it not?

Q. I would gather that from this letter which I have here, you say that you have some voluntary chains in your organization. Do these voluntary chains have any difficulty in getting supplies from the manufacturer?—A. I could not say as to that. I am not an official of the association, you know, and we have just changed our secretary. He will be the one to answer that.

Q. I will reserve this question, then. We will probably have the secretary.

*By Mr. Senn:*

Q. May I ask a question along the line of the department store, or at least of the mail order company; you criticized that quite severely. Would you eliminate the mail order company entirely? Is that your attitude?—A. Not entirely. I presume in some cases it would be necessary.

Q. For instance, there are two large stores in Ontario which issue a spring and fall catalogue. I know something of the hold they have in the rural districts. Have you any objection to that system of mail order service?—A. A spring and fall catalogue?

Q. Yes, of reputable firms like Eaton's and Simpson's?—A. I don't suppose one could object to that, if it is conducted on ethical lines.

Q. Perhaps you have not had an opportunity of examining these catalogues to know whether there are objections to the prices quoted there or not?—A. My impression, understanding and information is that the illustrations in these mail order catalogues are very misleading.

Q. I do not suppose seeing when these prices are quoted for six months ahead that there could be any changes in the prices during that time; what would become of the price maintenance scheme that might be involved there?—A. They are taking that risk. They would have to safeguard themselves against that.

Q. In other words, it could not be done?—A. They could not do this too far ahead.

Q. They do over a period of six months—practically so?—A. On general lines, perhaps, but not on specific products.

*By Mr. Young:*

Q. I suppose Mr. Grassby you could not give us any figures on the percentage of decline of business in the retail trade, and the corresponding increase in the business of mail order houses and department stores?—A. No, I have not those figures; except they are very large.

MR. SOMMERVILLE: We can get that Mr. Young.



*By Mr. Kennedy (Winnipeg):*

Q. You refer to individually owned chain stores, what do you mean by that?—A. A group of stores individually owned and combined together for better buying facilities.

The CHAIRMAN: Thank you, Mr. Grassby.

The witness was discharged.

Mr. C. C. FALCONER, called and sworn.

*By Mr. Sommerville:*

Q. Mr. Falconer, you represent the retail merchants of Manitoba?—A. Yes.

Q. What is your particular business?—A. I am in the hardware business.

Q. Will you proceed, please?—A. I will present my statement.

Honourable Mr. Stevens and Gentlemen of this Committee: our presence here to-day, those of us from Winnipeg and Manitoba particularly, is somewhat hurried, due in part to a misunderstanding we had—we had the feeling or understanding that the committee were to send commissioners or inspectors out west; and as a result we are not as well prepared as we should be. The "Good Book" must have been consulted, because it is said in the "Good Book," "Come, let us reason together"; so here we are to-day. Yesterday, Mr. Stevens mentioned something about sentiment. I would like to maintain the human touch here, because of my relationships to my fellow men.

I am a retailer, neither a lawyer nor a secretary, and I would ask you to be as charitable as possible with me. It has been my privilege to meet my fellow men for a good many years in consultation with them, regardless of business or classification they may represent, and they are all good fellows, every one of them. Up until these last few years they were all happy, contented, prosperous, and quite good citizens.

*By Mr. Kennedy (Winnipeg):*

Q. How long have you been in the retail business?—A. Mr. Kennedy, I started 28 years ago. I happened to start the same time the T. Eaton Company were digging their hole in Winnipeg.

Q. What has been your line?—A. Hardware. It happens that I represent a cross-section of business in Winnipeg which includes practically a majority of the retail business or classification in Winnipeg.

I would like to paint a picture, if possible, it will only take a moment, of conditions as I saw them, meeting the men in business in Winnipeg for the last four or five years—and when I say the last four or five years I stress on that, because it has been more noticeable during these last four or five years; and meeting business men generally their reply to the salutation "How's business"—this is noticeable in this last year—it is becoming ever more diminished and fainter; just as business has been diminishing so their courage and hope has gone down with it. And recently something happened. Our retailers reminded me of a picture I once saw where many men were lost in a dark tunnel and the water was getting deeper all the time, rising and rising. They could not see how they were going to get out, and then all at once a light was seen in the distance; and just as all good light comes from the East, so this light was the voice of the Hon. Mr. Stevens when he spoke in Toronto, and made that memorable address to the shoe retailers on the night of January 15, 1934. I continued my visitations, I was not at that time in Toronto, but the appreciation of those attending the convention that time was sincere, was long, and was sustained. I wish the Hon. the Minister of Trade and Commerce could have seen the faces and heard the voices of the people of Winnipeg and of Manitoba, when the news came on the morning of January 16 and our papers

brought us this momentous news, that the government, or Mr. Stevens, had the courage to come out and speak as they did.

Mr. FACTOR: You are making the Chairman blush, Mr. Falconer.

The WITNESS: Well, that morning, as was my continued custom I visited my friends—I do not see them all every day—but that particular morning I made it my business to call on a good many of my friends. You would hardly have recognized them as the same men, there was a renewed courage and hope as a result of that. From now on they are feeling that there is somebody with them. They knew conditions were bad but they felt that when the government recognized that conditions were bad there was some hope for them. When actual affairs were disclosed in the East we in the West felt like saying to the East “Naughty East, shame on you”; but then we forgot the parable about the mote in our own eye being removed—something about the mote and the beam—Mr. Kennedy, you know that better than I do.

Mr. KENNEDY: If you want it on the record, I think Mr. Stevens really is the man who is best qualified to give it to you.

The WITNESS: This caused us to look around our own back yard before we started to blame the East, and right here and now I heartily apologize for any evil thoughts that we had against the East—as a result of the investigation we had in our own back yard, we found that probably there is no place in Canada where conditions have been any worse than they are in Winnipeg. Probably no other place in Caada has suffered the complete domination from the big interests that exist in Winnipeg and Manitoba.

Now I think Mr. Factor and the rest will appreciate it if after that I get right down to facts.

Mr. FACTOR: I appreciate the fact that you made a nice speech of introduction.

The WITNESS: Thank you, Mr. Factor. Much has been heard these last few days about butchers, and the first one I have here is from butchers who recently congregated and the result was that they had something to say, and here is what they say:

That the smaller retail butchers have no means of ascertaining the price paid to meat packers for large purchases of meat, but that in purchasing hams and bacons, the smaller retailer cannot purchase these unwrapped, whereas the large retail purchaser is allowed to do this. That in purchasing wrapped ham and bacon, the retailer is charged for approximately six ounces of paper which is weighed as meat, increasing his cost to an average of 10 cents per ham or bacon.

*By Mr. Young:*

Q. Does he sell that paper when he sells that ham or bacon?—A. I think he has to. The small retailers have protested against this practice to the packing houses, without avail. They are of the opinion that the large commercial organizations buy meats in large quantities at a lower price than they can buy the same meats, as these organizations frequently advertise meat for sale at a price below the cost price to the retailer. That is the large commercial organizations do not pay a lower price for meats, they either falsely advertise the quality of their meats, or offer same for sale at a loss.

We will pick up another staff of life, we will step over to the bakers. Just the Sunday before we left the Secretary called a meeting of the bakers, and didn't they respond. You would think that Mr. Stevens himself had sent his special investigators, because they were all there. This is what they say: that certain stores in the city of Winnipeg have been baking their own bread and selling same at three sixteen-ounce loaves for ten cents; that the bakers as a whole in this city claim that it is impossible to manufacture a 16-ounce loaf



of bread and sell the same at this price without suffering a loss, and that the chain stores are using this as what is known as a "loss leader."

*By Mr. Young:*

Q. Can you give us any figures as to the cost of making this 16 ounce loaf?—A. I understand that the cost is around  $2\frac{3}{4}$  cents to  $3\frac{1}{4}$  cents, and that it varies to some extent.

Q. That is a pound loaf?—A. A pound—a 16-ounce loaf; and they are not able to sell it at that. They say that as a result of this, delivery wagons of bakers are now making deliveries of 2,000 loaves per week, whereas heretofore they delivered 4,000 loaves per week. One large bakery had 85 wagons delivering bread, they have now only 67 wagons, each wagon delivering about half as much as it did heretofore. The weekly consumption of bread in the city of Winnipeg is 900,000 pounds, and of this 175,000 pounds is sold by the chain stores as "loss leaders." Then as a result of this table, men employed by the bakers are now receiving from \$12 to \$14 a week in wages, whereas heretofore they were paid \$25 a week, which the owners of bakeries state is a fair wage for competent men.

Stepping along to the clothing stores—that the large commercial organizations offer to purchase goods at their own price and many manufacturers, because of large loans owing to the bank, are compelled to accept these at either a loss to themselves, or by the employment of labour that can only be termed as sweat-shop work. That the T. Eaton Company of this city—

Mr. YOUNG: Would you mind talking a little slower, please; you are going too fast for us to follow you.

The WITNESS: I was thinking about you when I looked at the clock, Mr. Young.

That the T. Eaton Company of this city recently placed an order for a large quantity of men's overcoats, with a company of this city. They had the coats made in this company's factory at a price of \$11.95 per garment. That a tailor of this city who is reputed to be a competent and experienced tailor was offered employment and worked with two other workmen in this factory, making the said coats as piece work. That he was paid for his work by these two workmen and received therefor between \$5 and \$6 per week, working ten hours per day.

I would check this next one, because I think it is a real tragedy.

*By Mr. Ilsley:*

Q. I was going to say, how much of this is your personal knowledge, and where do you get your information; and are you sure this information is authentic? It strikes me that both yesterday and today we had a lot of hear-say evidence here?—A. I have no affidavit, but all this information was got together very hurriedly. So far as I know these people are prepared to give affidavits, and I believe this to be true.

*By Mr. Sommerville:*

Q. This was prepared by your association?—A. This was prepared by our association.

Mr. FACTOR: We are not doubting your veracity, Mr. Falconer.

Mr. ILSLEY: I think the experience of court practice over a period of long time does not put much weight in what is known as hear-say evidence, but unfortunately this evidence goes in just as if it were all true by people who do not know whether it is or not, and I think Mr. Chairman, we should guard against that as much as we can.



The WITNESS: You can quite appreciate the hardship that would be worked on some if you were to present his name; they come to you and say, please don't use my name—but it can be sworn to. You can see that that would make the hardship that much worse for him.

Mr. ILSLEY: There is a hardship on the people making a statement to you if the statement is not true. They may be every one true, and I am sure that you are not intimating for a moment that we do not believe they are true; but there is a great chance for error in statements if they are made by people who do not have personal knowledge of them.

Mr. FACTOR: May I add in that connection that I am not at all disputing Mr. Falconer's statement, or any other statement made by witnesses; but the turn of events that have taken place in this investigation are certainly a surprise to me. I never for a moment thought we would have witnesses presenting more or less propaganda, and reading speeches to us. I certainly thought that this investigation would be more or less of a judicial probe with witnesses being examined by counsel, and matters being produced in a proper and orderly way, etc. I did not think we would have men reading speeches.

The CHAIRMAN: Well now, there has without doubt been a certain amount of latitude given to this witness to-day, and in a lesser sense, yesterday; but it must be borne in mind that representatives of associations such as the Retail Merchants Association are entitled to have access to this committee to present the views of their associations. Necessarily witnesses presenting such views must speak in a broad, general way, in much that they will say. I think as far as possible the specific case should be supported by some accurate knowledge. For instance, it will be recalled that yesterday both Mr. Cook and Mr. Hougham in filing advertisements gave evidence that was capable of verification or otherwise and I think it was very sound. I am inclined to give these gentlemen who have come from western provinces, representing the retail merchants of their province, considerable latitude. I think the committee will bear with that because, after all, they are speaking for a large number, and unless they have themselves conducted investigations, they cannot very well give specific evidence on each case. But I would ask Mr. Falconer to, as far as possible, be as specific as he can when he mentions a case. If he cannot be specific, I would ask him to make that point clear, and state why the case is cited. I should like to ask you in regard to the evidence that you just referred to, this question: was the man working on this particular order to which you refer?

WITNESS: Yes.

The CHAIRMAN: It may be just as well not to use names, but probably you could use department store or chain store organization, and then give to us definite information that would enable us to run the case down, if it is considered necessary so to do.

Mr. FACTOR: I agree with you in that particular statement. I also agree with you that a certain amount of latitude should be allowed those associations to make representations; but I hope this committee will not consider that it is evidence upon which to judge. In other words, I hope that you, Mr. Chairman, will see that the investigation will broaden out and that investigators will be appointed.

The CHAIRMAN: I must remind you, Mr. Factor, as I did yesterday, that at the moment investigators and auditors are at work on the detailed material and we expect to have some of that material in a few days, or in the matter of a couple of weeks.

Mr. ILSLEY: Speaking for myself, I do not have any objection at all to these views. The more colourful they are, the better I enjoy them. But in the interests of ordinary justice, when we have a specific instance, it should be clearly understood what it is.

The CHAIRMAN: Yes, as far as it is reasonably possible, Mr. Falconer, if you are giving any general illustrations, mention them as illustrations of what you think is the practice, or what you find to be the practice, and leave the name of the firm out, unless you are prepared to give specific instances in support of the allegation.

WITNESS: All right.

Mr. KENNEDY (Winnipeg): In accordance with the past practice, the name of the firm would be confidentially given to the committee, and then it could be investigated to see if the facts can be sustained.

Mr. ILSLEY: Yes.

WITNESS: As a matter of fact, we welcome the opportunity to prove these allegations. We admit they are only allegations at the present time. We have no way of proving them ourselves. Here is one. I certainly did strike out the name, and it can be received from my letter.

That the home of a correctional institution in this city of Winnipeg has contracted to make and has made ladies' waists and mattresses for a department store—I nearly slipped there—the materials being supplied by the said company. That this work was performed by the wards of this institution for whose maintenance the various cities and municipalities of the province pay. That these wards did not receive any remuneration therefor.

*By Mr. Kennedy (Winnipeg):*

Q. You refer to that as a correctional institution. Is it a male or a female institution?—A. Female.

Q. Do you know whether the minimum wage law was enforced there?—A. No wage at all. It was a correctional institution, wards of this city.

Q. Nothing was paid?—A. Nothing paid, nothing paid. I have the name of the company.

The CHAIRMAN: You will give the name of this case to the committee?

WITNESS: Yes, I have it here.

*By Mr. Factor:*

Q. Who would receive the price of the commodities, the government?—A. No, the government would not receive anything for it. The government helped to pay for the cost of these things.

Q. You say these were made by the wards of this institution, and sold to a department store. Now, the department store pays for these commodities.

*By Mr. Sommerville:*

Q. It was a correctional home?—A. They may have paid something to the correctional home. They supplied the material and it was made there. Those who worked on this material did not receive anything.

Mr. BELL: What were the articles?

Mr. SOMMERVILLE: Ladies' waists and mattresses.

WITNESS: Yes.

The CHAIRMAN: Mattresses and ladies' clothing.

Mr. BOULANGER: What was the quantity?

WITNESS: I do not know the quantity.

Mr. FACTOR: That is something that should be investigated. It is a very shocking thing, if correct.

Mr. KENNEDY (Winnipeg): Is that correctional institution located in Manitoba?

WITNESS: Yes, Mr. Kennedy; you know it very well.



*By Mr. Kennedy:*

Q. You are not implying that I was in the home?—A. I apologize, Mr. Kennedy. I do not mean that you know the facts at all. If I told you the place I mean, you would know the location of it.

Q. You will give it to the committee?—A. Yes, certainly. Here is another one, clothing. This man, a good living, honest, property owning citizen with a family, two of whom are university graduates, one is a lawyer and another an electrical engineer, not doing anything to contribute towards the home. He was unable to make any money. This man has 46 years' experience, by the way, a good man, 46 years' experience in this trade, and he went into this firm to get a job. They offered him work on making those camel pile coats. Now, I had this out personally with him. I had a sort of cross examination with him, and this is what took place. In the first place, to complete this coat required ten hours' of very hard work, and he received only one dollar. He did everything on it except the electrical cutting out and the seaming, and he worked ten long hours, for which he received one dollar.

Q. For whom was it done?—A. A department store.

Q. Is that a common practice or an individual case?—A. Well, it is only in this case. I cannot speak for that. Let me interject right here, this man—

*By Mr. Sommerville:*

Q. He worked on the coat?—A. Yes.

Q. The making of those camel pile coats?—A. Yes.

Q. He was one of the employees of this firm?—A. Yes.

Q. And for the making of this coat he got one dollar?—A. Yes.

Q. And he took ten hours?—A. Yes—later reduced to 80 cents.

*By Mr. Young:*

Q. Was this the firm that sold the coat, the merchandising firm?—A. Yes; sold it to a department store.

Q. It was not the department store that he made the coat for?—A. No, working for this firm. So I questioned him just like a lawyer would. I said:

Why did they only pay one dollar?—A. Because they could get relief men to do the same work for 50 cents. And this man had to have bread.

When you complained that one dollar was not a fair wage, what was the answer?—A. If I wanted to earn more, I could also work all night and earn \$1.50.

If you are an experienced man, only received \$1 per day, how about the inexperienced?—A. Their piece work was cut down so much that they also earned only ten cents per hour.

Q. They earned a dollar on it?—A. Yes.

Q. They earned as much as the experienced man. The experience was of no value to him?—A. No.

Who were these coats being made for?—A. One of the large departmental stores (name on request).

Now groceries. Here is a comment made in all sincerity by a wholesale man just a day before I left.

That because of large purchases made by large commercial organizations, certain lines of groceries, notably canned goods, prepared soups, soaps and condensed milk are offered for sale by retail by these organizations at a price below that at which the wholesalers of this city can purchase.



Q. You cannot give us any figures?—A. That is all available. We would be very glad, indeed, to prepare it for you. The reason why I am talking so fast is that I want to get through as quickly as possible. There is a short brief prepared by the Independent retail grocers and butchers of Winnipeg and Manitoba.

The General views of the independent retailer would be embodied in the following suggestions:—

1. The classification of manufacturer, wholesaler and retailer should be clearly defined and each class should have a control over them which should eliminate any advantage such as we have at present on account of mass or quantity buying.

A suggestion would be that an equalization tax on sales for corporations with a capitalization of \$50,000 or over, the larger the capitalization the greater the tax.

By this method it would give the individual merchant some chance of staying in the picture. In suggesting this we sincerely believe that the greatest good to the greatest number would prevail.

No doubt the one object of big business such as exists today is mass buying and monopoly of supply, thereby giving them the power to dictate not only to the small manufacturer but discriminating against the independent retailer.

We know that the chain stores and department stores have been the primary cause of business today being a "racket" and we believe the racketeering should be controlled, and we might here mention a few evils or rackets carried on which should be outlawed:—

Loss Leaders—indefinite weights.

*By Mr. Young:*

Q. Indefinite weights. Explain that?—A. It is current gossip that the weights are not 100 per cent.

Q. That is to say that these big stores do not give you 16 ounces to the pound?—A. I will not specify big stores—these chain stores. That is the current belief.

The CHAIRMAN: Perhaps, Mr. Young, you would allow me to put the same question to Mr. Falconer that was put yesterday on the same point and we might elicit a reply. Is it possible, for instance, to get 100 pounds of sugar weighed out of a 100 pound sack of sugar?

WITNESS: Mr. Stevens, I could answer best by speaking of a keg of nails. There is 100 pounds of nails—I am more familiar with that—and I never get 100 pounds out a keg of nails.

The CHAIRMAN: In practice it is found not possible to do it?

Mr. BARIBEAU: What about dried foods?

WITNESS: It is the same thing. It is the principle I mention.

Mr. KENNEDY (Winnipeg): When weighed out in small lots you can get 100 pounds when you sell the whole keg?

The CHAIRMAN: Anyone who knows the retail business is so familiar with this that it is almost unnecessary to say it; but the fact is that where you receive goods in bulk and weigh them out to the customer over the counter you never can get out of the bulk weight in detail what you are supposed to sell out. But the point is this, if I might ask one more question: is it the complaint of the independent retailer that in the chain store, for instance—the employer being held responsible for the stock and the inventory—there must be some other way of making up for the loss or shrinkage in the weighing out of bulk goods?

WITNESS: Mr. Stevens, I would like to tell you—and I think probably this is familiar to everybody here—of one method of selling 50 or 100 pounds of sugar. They are put up in two bags, and one is—supposing out of 50 pounds one has 48 and the other has two, and they are in the same place—it is self service. Complaints have been made and they say, “you did not take the other; that 2 pounds belongs to it.” They only got 48 pounds out of the 50, and there is 2 pounds, because the bag was full and the other bag was there and they could take it if they knew enough, but they did not, and they went away with 48 pounds of sugar.

Mr. YOUNG: That is going on, is it?

WITNESS: That is supposed to be going on.

*By Mr. Kennedy (Winnipeg):*

Q. In Winnipeg, as in any other city, I presume inspectors of weights are checking up from time to time?—A. I think they only check the scales.

Q. No. They do, as a matter of fact. For instance they will stop a bread wagon or they will stop a grocery delivery and that sort of thing and check them?—A. In my twenty-five years' experience the only contact I have had with scale people is when they come in by order of the government and spend a few minutes and charge us \$1.50 for testing our scale.

Q. In view of this reference to underweight in commodities with reference to chain stores I was wondering what your knowledge on that point is?—A. I have nothing definite on that, Mr. Kennedy; this is hearsay, and I have had no personal experience.

Q. It would be possible, of course, to get a record, say, as to prosecutions in respect of short weights?—A. I think it would.

Q. You have not looked into that?—A. No, I have not.

*By Mr. Young:*

Q. A moment ago you said something about indefinite weights. Now, what I want to get at is this: is the practice of giving indefinite weights, or short weights to put it plainly, more prevalent in these chain and department stores than it is in other stores?—A. Absolutely.

Q. It is? The individual storekeeper gives honest weights?—A. Yes.

Q. And the chain and department stores do not?—A. That is the inference. That is the statement made by the independent men themselves.

Q. They have proof of that?—A. They have proof of that.

*By Mr. Kennedy (Winnipeg):*

Q. It is not that I have any desire to make a good case for the chain stores, but we want to be fair, and I think it should be clearly understood that what you say about short weight is purely hearsay?—A. It is, Mr. Kennedy.

Mr. LLSLEY: He says he has proof.

Mr. FACTOR: In any event it is very refreshing that some of these practices are found in Winnipeg and are not all in Toronto.

Mr. KENNEDY (Winnipeg): We would like to have it cleared up.

*By Mr. Bell:*

Q. Are you under obligation when you sell a keg of nails to give 100 pounds?—A. Are we under obligation? If a man comes in for 10 pounds of nails—

Q. I am asking you about nails in the bulk: if a keg of nails is supposed to contain 100 pounds. Is it?—A. Yes.

Q. Are you supposed to give 100 pounds of content, or the weight of the packages?—A. Oh, 100 pounds of nails. Suppose it was weighed out on the scale, a bare scale, and dumped into a bag. We should do like they do with the hams—put it into bags and get the price of the bags as well.

The CHAIRMAN: You do not do that?

WITNESS: No, we do not.

*By Mr. Bell:*

Q. Maybe the bags would cost more than the nails?—A. No.

Q. As a matter of fact, does a keg of nails contain 100 pounds?—A. Yes. That is the net. The keg would weight 6 or 7 pounds.

*By Mr. Ilsley:*

Q. With regard to this short weight charge, what is your proof?—A. I did not say I had proof; I said it was current.

Mr. YOUNG: I asked you if you could prove it, and you said yes.

WITNESS: Not of the weight conditions.

*By Mr. Young:*

Q. I asked you if you had proof that the chain stores and department stores are worse offenders than the individual traders and you said you had?—A. I did not mean that. I did not get your question.

*By Mr. Ilsley:*

Q. You have not any proof?—A. No, Mr. Ilsley.

*By Mr. Factor:*

Q. Do you think it is advisable to give this committee a lot of gossip of that kind; it is a serious charge?—A. Well, Mr. Factor—

Q. I would like to investigate it if there is any charge in it. Let us investigate it?—A. We cannot do that. This is the honest belief of a lot of men sitting around the table seriously considering these matters and they come out and say that this is so.

Mr. ISLEY: You do not accuse people of theft unless you have some facts to go on.

WITNESS: I grant you.

Mr. ISLEY: You are accusing them of a criminal offence—short-weighting their customers.

Mr. KENNEDY (Winnipeg): I presume that we can obtain a list of prosecutions and convictions from the Weights and Measures branch.

*By Mr. Kennedy (Winnipeg):*

Q. If a man suspects he has got low weight he can go and have it tested, can he not?—A. I think he has that privilege, yes.

Q. And a prosecution follows.

*By Mr. Young:*

Q. Is not this true that these 48-pound or 50-pound or 100-pound or 25-pound packages are all put up in the factories and not by the stores?—A. No. I think the custom in the chain stores is to buy it in bulk and bag it there.

The CHAIRMAN: Such things as sugar, rice, dried fruits and articles of that kind.



Mr. YOUNG: In our country sugar is sold in bags put up by the factory.

Mr. EDWARDS: Is sugar sold that way?

Mr. YOUNG: Yes. That is the way in the west—10 pounds or 20 pounds.

Mr. BELL: Is it not weighed out on a small scale?

Mr. YOUNG: Some of the merchants have been switching back to that because they thought they could get a little more that way. I am not making any insinuations. They said they could save the price of the cotton sack; it was cheaper to put it into a paper sack; but up to the last six months it was practically all sold in cotton bags sewed up at the factory.

WITNESS: Standard or quality not clearly stated in untruthful advertising and secret rebates or discounts.

We believe and suggest that the part time labour employed should be taken into consideration and investigated and the low standard of wages paid by the chain stores for long hours, even after business hours is a detriment to the good of any community.

The CHAIRMAN: Well, let us proceed.

The WITNESS: This is just about finished. A city, town or country is prosperous only when all classes are considered, and the mass buying and high pressure advertising that has been going on for the past few years has had a very detrimental effect not only on the independent retailers but also on the producers, who in many cases have taken a very small price for their commodities on account of the product being advertised at a bargain price by these chain and big store corporations.

This brief sent with our delegate from Manitoba covers only a few of the evils prevailing to-day, but we feel that more will come from your investigation which we wish every success, to the end that trading in Canada may be put on a higher standard.

The next one is with reference to the drug trade, and I am just citing one instance. I could have got a great many more. I found from interviewing druggists that many of their goods have a standard selling price fixed and that because of this they are protected to a certain extent, but that on goods for which there is no fixed selling price they are frequently underpriced by the large commercial institutions owing to the fact that the list price to the retailer decreases in proportion to the amount purchased by the retailer. That a large retail organization in buying large quantities pay a price equivalent to that paid by a wholesaler; and that in the case of articles the selling price for each is fixed, the profit to the large retailer is much larger than to the small retailer, and in the case of goods for which there is no fixed price the large retailer frequently sells at a price below the cost price of the retailer.

I have been informed by druggists of the city of Winnipeg that the A drug company of this city recently refused to sign an agreement to the effect that they would not sell ovaltine at a cut price, and that the distributors refused to supply them with their product.

That the A drug company of Winnipeg had been selling ovaltine at from 79 to 89 cents per can, and upon their inability to secure this product from the distributor they made purchases through other jobbers and through retail organizations all over the city of Winnipeg and then put it in at 79 to 89 cents per can.

The CHAIRMAN: I wish you would give the particulars in connection with that. That is a practice that has been alleged and we will have to look into that.

The WITNESS: I will, Mr. Chairman. Stepping over to the furniture department for a moment, I found upon investigation that the retail upholsterers in this city were unable to compete in price with the large commercial organizations and were being forced out of business. That whereas upholsterers two years ago were earning \$32.50 per week as wages at their trade, they were now being

forced to work at \$15.50 a week, and that the main reason for this decrease in wages was that certain large commercial organizations are purchasing upholstered furniture from manufacturers at a price for which it is impossible to pay a living wage to the workers engaged in its manufacture.

I found that the smaller independent retail upholsterer paying a living wage to his employees has no market for his goods, owing to the fact that the same goods are being sold in competition to him at a price much below his cost of manufacture. About a dozen independent furniture dealers have been wiped out.

*By Mr. Sommerville:*

Q. Can you tell us how many furniture places there are in Winnipeg outside of the departmental stores?—A. That is just what I was coming to; it is a tragic thing.

*By Mr. Factor:*

Q. We have been told that there is only one outside of the departmental stores, only one left.—A. That is true, Mr. Factor; right now there is only one. I think in the last twelve or fifteen years there has probably been about one a year go out, and there remains only one.

*By Mr. Sommerville:*

Q. One furniture dealer outside of the two large stores?—A. Yes, just one furniture dealer outside of the two large stores.

Q. And what is the population of Winnipeg?—A. Greater Winnipeg 300,000.

*By Mr. Kennedy (Winnipeg):*

Q. And some of those who have gone out of business were long established?—A. Yes, quite long established, Mr. Kennedy.

Q. Some of them had been established for over a quarter of a century or more?—A. Some of them going back as long as forty-five years ago.

*By Mr. Young:*

Q. Did they all go bankrupt?—A. Yes, sir.

*By Mr. Factor:*

Q. They could not meet the competition?—A. That is right. The last one, I think, is sick right now.

*By Mr. Kennedy (Winnipeg):*

Q. And most of these buildings now stand vacant?—A. Yes, the most of them are.

*By Mr. Sommerville:*

Q. I think you intimated that you had the figures on the assessment of the one remaining building?—A. Yes, I have that. I have not got it with me now.

Shoes—unfair practices of department stores. The department stores make a concentrated effort to destroy the value of all nationally advertised goods with a trade mark. They will procure the goods by any means and slash the price, with the result that merchants doing an orderly business are discredited in their own commodity. The only trade mark or branded goods free from this practice are those controlled in their own organization.

Unfair practice of manufacturer—In the rubber footwear trade, the spread between the small store and the department store is so great that the department store can sell at the cost to the small store. This is the greatest evil of all and



applies to almost every line of merchandise. In lines like rubber footwear where styles and qualities are uniform from season to season, and in each factory, small stores are forced to meet the lowest price quoted by the big store.

*By Mr. Young:*

Q. Right there, in the shoe trade I met a man one time who told me that he had been selling boots and shoes right opposite Eatons in Winnipeg for twenty years, and he said if he could get any closer to Eatons he would do so.—A. I would like to meet him.

Q. He said he had a very decided advantage over the big store in the fact that he could give his customers personal service, something that the big store could not give, is that correct?—A. Is that recent, Mr. Young?

Q. Three or four years ago.—A. Well, I think probably the personal service up to three or four years ago was a different factor than it is today. Price has been a dominant factor in the last four years. Do you know if that man is in business today.

Q. I don't know, I have not seen him since. You think there is no advantage then in personal service in the boot and shoe business any more?—A. Oh, yes, I do. Personal service is bound to be a factor, but price is a very big factor nowadays. Merchandise of this particular nature are used as leaders and it has a better chance to discredit the small dealer if he does not meet the price, and put him out of business if he does.

Manufacturers who have established a trade mark line, for instance, "Hurlbut shoes for children" and then make up a large quantity of shoes for a semi-annual sale in lower quality material and use the same trade mark, advertise the shoes as regular Hurlbut shoes when they are not.

*By Mr. Kennedy (Winnipeg):*

Q. I think you ought to give that before you leave.—A. I will, yes. This has happened for three years with the result that the regular trade in Hurlbut shoes has been destroyed.

*By Mr. Factor:*

Q. What kind of shoes are they?—A. Shoes for children.

Q. You said they were not regular Hurlbut shoes. What kind were they, a special line?—A. Special line cheaper grade, but allowed to put the trade mark on.

Q. The Hurlbut trade mark?—A. Yes, the Hurlbut trade mark. The same practice has recently been employed by Selby arch-preserver shoes, Mont-real. The goods sold as regular quality goods were not regular quality but carried the trade mark.

*By Mr. Kennedy (Winnipeg):*

Q. Do you say that they will take a well known trade mark and permit another manufacturer to put that trade mark on?—A. No, no, the same company will.

Mr. SOMMERVILLE: The same company will make them for special sales, will make shoes of lower quality but carry the name.

*By Mr. Ilsley:*

Q. The whole objection is in their being represented as the regular quality?—A. Yes, I would say so. The Hurlbut shoe by virtue of a long established business, and high business ethics, made good shoes and spent a pile of money creating a public acceptance for these shoes. Then the big stores come in and say we want that shoe but want it in a cheaper grade, and they use that name that the company had built up over a term of years and now it is destroyed.



*By Mr. Ilsley:*

Q. With the permission and consent of the Hurlbut Company?—A. Yes.

*By Mr. Edwards:*

Q. Are you aware that there are two companies?—A. I did not know about that.

Q. The original Hurlbut is in Preston, and Hurlbut, the principal of this shoe company, has now opened a factory in Toronto?—A. Well, one is not a succession of the other as a result of this condition.

Mr. EDWARDS: No, I am just giving you this information. This recent one is about four or five months old.

*By Mr. Ilsley:*

Q. Did the department store represent them to be the regular type or the original type of shoe, or original product?—A. Well, that is the inference; they advertised them as Hurlbut.

Q. Then if they do they keep within the law, I suppose?—A. Oh, yes.

*By Mr. Edwards:*

Q. It is a special children's shoe, is it not?—A. Yes, special children's shoes.

Q. In other words, the factory starts putting out a cheaper product and they sell it?—A. Yes, they sell the trade mark too. They prostitute the name by putting it on there.

*By Mr. Sommerville:*

Q. They do not put out the cheaper shoe for general distribution?—A. No.

Q. They put it out as a special line for customers very much cheaper?—A. Yes.

*By Mr. Young:*

Q. Many of the iniquities practiced in the trade are within the law?—A. Oh, yes, just within the law. They know pretty well what they are doing, just the fine edge.

*By Mr. Factor:*

Q. The general public know that the Hurlbut children's shoes is a brand that they have been getting for years?—A. Yes, sir.

Q. And when they buy the inferior quality are they in a position to judge if it is inferior or not?—A. No, they are not.

Q. So it is really putting it over the public, is it not?—A. Absolutely putting it over them.

*By Mr. Young:*

Q. Is Hurlbut selling his good name for a mess of pottage, so to speak?—A. It looks like it, Mr. Young. One responsible man told me that he had sold Hurlbut shoes for years and years but that the trade in Hurlbut shoes is now destroyed. Others have told me the same thing. They cannot sell them, therefore, they do not buy them. That is why I would like to know if it was a succession of the firm.

Mr. EDWARDS: No, Hurlbut is not connected with the firm now.

The WITNESS: The next one is something new. It is headed "Winnipeg Graphic Arts Council." It reads:—

Noting your contemplated presentation of facts regarding unethical trade practices in the West, and that you are having a hearing before

the Stevens Committee at Ottawa in the near future, our Council beg to submit a brief outline for the printing and allied trades of greater Winnipeg.

Conditions here for the past few years have grown steadily worse until it came to a point where the idea of profit was an unknown quantity, with a result that printing offices and book-binderies were merely existing with scarcely any credit standing in the community. The depression was blamed for a lot of the bad times, but things would not have been so bad if certain practices outside of the printers themselves had not accompanied the general slump in orders.

Some of these evils were the ease with which almost anyone could secure a plant comprising type, printing and book-binding machinery. There also seemed to have been an elasticity of credit so far as paper and supplies were concerned. In every case new competition was set up with little, if any, business experience behind it, with resulting disaster to countless plants who were paying their bills regularly. Pirating reached great heights, while decency and common sense banished entirely, and price cutting became rampant.

Another feature which proves a menace to the trade is the practice of privately owned plants entering the commercial field. These privately owned plants operate as a rule on their own work during short seasons. By entering the commercial field they hope to cut down overhead charges, and by their actions created a new competition which was disastrous.

Mr. FACTOR: Mr. Ilsley does not understand that, will you just explain it to him.

Mr. ILSLEY: I do not want to hold the committee up.

Mr. FACTOR: I am not sure that I understand it myself.

The WITNESS: In a word, a department store that has a printing plant, in order to keep down the overhead in a quiet season, goes out into the market for work, taking it away from the legitimate printers, and they do it at a loss to keep their plants going.

*By Mr. Factor:*

Q. What do they use their plant for?—A. For setting up their advertisements and printing their own catalogues.

*By Mr. Young:*

Q. Do they print the catalogues in Winnipeg?—A. Oh, yes, they have an immense plant there. I will just finish reading this:

The result of the whole thing is that fair wages cannot be maintained nor anything like profit secured in the trade until some changes are made in the methods. The whole community is affected by the demoralized conditions of the 100 to 115 plants in Winnipeg.

The Winnipeg Graphic Arts Council (just organized) is an organization to try to improve matters. It would strengthen the hands of ours and all similar organizations if some code of ethics or improved methods of operation could be set up with sufficient power to make it effective. We are a new body as yet, but if we can in any way help to bring about better business conditions in our whole community life we will gladly do our bit.

*By Mr. Edwards:*

Q. Are those trades unionized, the printers?—A. The majority of them are. Those people I spoke of in this particular trade, printing, have asked relief. Those are the conditions I spoke of, regardless of unions or anything else. They simply made conditions worse.

*By Mr. Kennedy (Winnipeg):*

Q. Before you go on, the printing trade in Winnipeg is pretty well unionized, I understand?—A. It was, Mr. Kennedy, but I do not think it is now.

Q. Do you know whether or not, without referring to them by name, the printing plants of these department stores that you spoke of are closed or open shops?—A. Well, I think—

Q. You don't know?—A. I don't know; I would not want to go on record as to that. The inference there is that they are doing work at less than what the union companies can. Here is one from the brotherhood—

*By Mr. Young:*

Q. Because of the size of their plant, can they operate more cheaply than the others?—A. No. I think that was drawn to your attention.

*By Mr. Kennedy (Winnipeg):*

Q. I think your suggestion is that in slack times they do it?—A. In slack times they will do it for anything.

*By Mr. Young:*

Q. It is not a matter of printing their own work; they go out and take other work from other people in these slack periods?—A. Yes.

Q. At ridiculous figures?—A. Yes.

Q. Demoralizing the printing industry?—A. Yes.

Q. For the other 115 plants approximately?—A. Yes. Here is a letter which is addressed to Hon. Mr. Stevens. It is a short one, and it is very important that it should be read to you. It is from the Brotherhood of Painters, Decorators and Paperhangers of America. It reads:—

At a meeting of the above local union your statements and replies by Mr. R. Eaton—

I think this is in order.

—re fair wages and conditions were brought to our notice. It may be of interest to you to know of the "fair wages and conditions" as prevail in the decorating department of the T. Eaton store in Winnipeg. They have the January sales going on just now, and one of the items is wall-paper. To boost the sale of wall-paper, they offer to do the labour of hanging the wall-paper for \$2.95 a room, for rooms up to 12 by 16. We know that the labour cannot be done for that price, and pay wages as laid down by the Fair Wage Board which is 70 cents per hour. I have interviewed master painters and some employees, who state that the work cannot be done at that price and pay fair wages. The average time for doing a room and doing the class of work which the T. Eaton Company require, is from 7 to 8 hours, which works out at from 30 to 40 cents per hour. This affects the master painters of their city, as they cannot compete with the T. Eaton Company and pay fair wages.

*By Mr. Young:*

Q. Did you say the Fair Wage Board fixed the rate at 70 cents an hour?—A. No.

Q. That is what you just read?—A. Yes, the provincial fair wage is 70 cents an hour.

Q. That is fixed by the provincial Fair Wage Board?—A. Yes.

Q. Seventy cents an hour for paperhanging?—A. Yes. I didn't have them separated; they have two departmental stores mixed, and if I make any slip—



*By Mr. Sommerville:*

Q. Don't make any slip; just refer to them as "a departmental store"?—

A. All right.

Another department store have also had a sale on. They offered to do rooms for \$6.25, including paper.

There are two of them there acting like two bad boys.

The Eaton company came back at them—

Pardon me—

Q. It is a little late in the day to say that?—A. I am sorry.

The other company came back at them by offering to do the same sized room and same quality paper for \$5.25.

Q. Including papering?—A. Yes.

Q. And paper?—A. Yes.

*By Mr. Young:*

Q. What is the value of the paper by itself, and apart from the labour?—

A. I don't know.

Mr. SOMMERVILLE: That will be ascertained later, one of the items that the investigator will be asked to ascertain.

Mr. FACTOR: I know I am charged \$5 for papering a room, without paper.

Mr. YOUNG: There are so many things that are going to be ascertained later on that I am afraid that we will find it hard to place them and connect them up with this evidence.

The WITNESS: This is not half enough.

The other department store also had an advertisement offering to do rooms for nothing, if the paper cost 75 cents to \$1 per roll. That may be fine for the customer but where does the worker get off at? This matter has been taken up by the Building Trades Council who arranged to have a meeting with the manager of one of the department stores, but he being away, were met by another man who believes it is better for the worker to receive a dollar or two a day than to go on relief. After further attempts to see the manager, a reply was received from the other man, who said the men were on a basis of sub-contractors. This applied mostly to men on the painting, calcimining and other jobs of decorating who were allotted a certain number of hours to do the job. I presume the company took the cost of material and their profit off before dividing the remainder amongst the men.

Q. By sub-contractors you mean that the departmental store does not employ the men to do the work, but contracts the work out at so much?—A. Yes, that is it.

Any time worked after the allotted time was not paid for. On some jobs, the time for this overtime amounted to from 10 to 40 per cent more time than was allotted. Some men demanded their pay for the whole time worked but they do not work there any more.

In the words of the song, "Annie doesn't live here any more." They do not work there any more. They were fired.

Q. You mean if a man works two or three hours overtime, he does not get anything at all, or does not get the excess rate?—A. That is right; he does not get anything.

Q. He does not get anything at all?—A. No. There are a certain number of hours allotted for the work, and if it takes him twice as long to do the work, that is just too bad for him.

Hoping this may be of interest to you and that something can be done to alleviate these conditions which we believe to be rotten and harmful to the trade.

It is signed by their president of the local union.

The ACTING CHAIRMAN: It is the custom of the committee to rise at 1 o'clock. We do not want to hurry you. Were you nearly through?

The WITNESS: Just whatever the committee wishes.

Mr. YOUNG: After dinner.

Mr. SOMMERVILLE: We have other provinces to be heard.

The ACTING CHAIRMAN: Then, Mr. Grassby, if you will come back at 3.30, the committee will sit again.

The committee adjourned until 3.30 o'clock.

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#### AFTERNOON SESSION

The committee resumed at 3.30 p.m.

The CHAIRMAN: We will finish with Mr. Falconer, and we shall, if possible, hear from Alberta and Saskatchewan this afternoon.

The WITNESS: Mr. Chairman and gentlemen, in order to comply with a request of the Chairman, I am omitting considerable of this brief, but I am asking the privilege of filing it as an exhibit (Exhibit No. 47).

The department store problem in Winnipeg is abnormal. Probably nowhere in Canada is the merchant as subject to such a departmental and chain store complex as in this city. Independent merchants are continually finding it more difficult to stay in business, and are being driven out one by one, although they are men of ability, heavy experience and have had sufficient capital to merchandise in the proper manner,—

Mr. SOMMERVILLE: This brief is from what association?

The WITNESS: From the Manitoba Electrical Association.

Mr. FACTOR: We had a similar statement about Toronto. It was said that the competition in Toronto was worse than anywhere else; that Toronto was the worst place.

The WITNESS: We think ours is the worst. Although they are men of ability, have the experience, and have had sufficient capital to merchandise in the proper manner, they are gradually being eliminated so that to-day many lines of goods can only be purchased at department stores, merchandise such as dress goods, dry goods, furniture, draperies, carpets, linoleums, leather goods, luggage, and many other items.

The radio business has practically been ruined by department stores and manufacturers. The department store with its mass buying, is able to hammer down the manufacturer to prices that they will not extend to us.

Refrigerators are being sold on a 25 cent a day rental charge. This is in many cases mere bait to the customer, the customer being sold outright after getting tired of putting 25 cents per day in the meter, and cheap refrigerators are advertised to get customers in the store, but are of such inferior quality that they will buy a better one.

Washing machines sold at prices that no dealer can purchase. Trade marking quality merchandise sold with department store stencils at lower than the dealers can buy. Fixtures, fittings and lamps are sold at such prices that either the department or chain stores make no money and are sold as loss leaders or the manufacturer cuts the quality and reduces the wage of his employees, until he can no longer subsist in a decent and respectable manner.

Time payments. Much merchandise is sold in many cases without interest, on time payments. Trade-in values are given far in excess of the actual value of the article, thus cutting the prices and special free servicing is given as further attraction. The habit of free servicing of radios with the hope of selling tubes is also very objectionable for whenever reception conditions are bad, merchants are being continually called out to service radios with which nothing is the matter, and the public expect this service free because it is so advertised.

This investigation has been long delayed and now it has begun, should be probed to the bottom and all the appalling abuses exposed, and means taken to rectify the present conditions. Unless this is done, labour, manufacturers, jobbers, merchants, and landlords will all be ruined. This disintegration is going on at a fast pace, as the inquiry is already revealing. Quick action on the part of the government is strongly urged, and if Mr. Stevens' courageous action so far is carried further, and acted upon immediately, it will save a lot of disaster and suffering. We wish every success for the work of the commission. That is signed by the proper authorities.

Mr. SOMMERVILLE: It is signed by A. E. Godsmark, secretary of the Manitoba chapter, Association of Electragists, international.

The WITNESS: There is one point I would like to bring out here, and that is the difficulty we had in getting some of the information. Here is a large stationery store, one of the largest in the west, doing a tremendous business, which had repeatedly complained of the conditions under which they are working, and are doing business. So when I went to get the information from them, at the last moment they didn't have any, everything was all right. Now, you men of the east probably call that intestinal fortitude; we have another word for it in the west. They did not have the guts to give that information, admitting before they had it, but they did not do it at the last moment. It did not come through. That is one of the difficulties. A committee of investigators would probably have more influence. On the way to the train, a restaurant man came to me and he offered this, hearing that we were coming down to Ottawa, as a condition that was taking place every day in the department stores, where they have a lunch, and the price was 15 cents providing you got there before 12 o'clock. I asked him why they stopped at twelve o'clock, and he said so that they could have the other half hour or three quarters of an hour to spend whatever money they had left in the department store. I asked him why they could not do the same thing, and he said they could not do it, nor could any other restaurant in Winnipeg supply a meal for anything like 15 cents. I have here in my hand a telegram which I received this morning, and which I shall read to you: "Theatres giving free glassware unfair to merchants." (Exhibit No. 49.) This has been going on for some time. So far as Manitoba is concerned, or Winnipeg is concerned, everybody in the crockery business is in as bad a condition as my business because of the free distribution of crockery ware in the theatres.

The CHAIRMAN: That is premiums?

The WITNESS: Premiums; it is sold with the ticket. Now they think they have filled the demand they are going into another line, which is nevertheless



just as harmful, sir; the glassware business is now going to be hit in the same way. We claim it is very unfair.

Mr. FACTOR: On the part of the theatres?

The WITNESS: Theatres, yes. I just interject that because I had a telegram, and they asked me to please read it here. Now, I am just about through, but I want to use a biblical quotation, if you might say that, where the mills of the gods grind slowly, they grind exceedingly fine. I have here in my hand, a large battery of advertising by one firm. We come along with another one the next day that has been used. Here we are, here are two cases. They are coming closer and closer to the time when, as a result of this—and it will be a short time—there will be nobody but themselves.

*By Mr. Factor:*

Q. What is in there?—A. Everything, every business is hit. It may be best illustrated by a conversation I overheard just before leaving. Where the department manager went to his boss and said, I think we have reached the saturation point. What, says the man overhearing him? Is not so and so in business down the street? He replied, yes, and the manager said, what do you mean, we have reached the saturation point, so long as there is another man left in the business? I humbly submit this as the best I can do for you just now.

*By Mr. Kennedy (Peace River):*

Q. Do they not drive people into the stores?—A. They may not drive them in, but they lead them in. One department store has three buses going out into the communities.

Q. How far out?—A. About three or four miles out in another community. They have a very nice set-up of different stores, small stores, you know, making a nice comfortable living, trying to at least, and this bus business goes on for about six weeks, bringing the load down direct to this department store free of charge.

Q. Do they get the buses free of charge?—A. They hire them from the street car people.

Q. They pay the street car people?—A. They pay the street car people for the rent of these buses.

*By Mr. Sommerville:*

Q. You are filing newspapers to show the advertising of the two stores in Winnipeg?—A. Yes.

Mr. FACTOR: Is that a newspaper?

The WITNESS: No, what they call flyers.

Mr. FACTOR: What is that?

The WITNESS: A special ad with a special purpose. One gets out one on one day, and the other one, one the next day. As I already said, I do not think there is even a date, because they never know the moment they are going to put it out.

Mr. SOMMERVILLE: This says Thursday, March 1st.

Mr. KENNEDY (*Peace River*): They are not published in the newspapers at all, they are delivered from door to door.

The WITNESS: Delivered from door to door, from 40,000 to 50,000. They go right through and blanket the city.

Witness retired.

Mr. W. L. McQuarrie called and sworn.

*By Mr. Sommerville:*

Q. You are the secretary of the Saskatchewan division of the Retail Merchants' Association?—A. Yes.

Q. And you have been associated with the Retail Merchants' Association for many years?—A. For many years.

Q. Prior to that you were in business yourself?—A. I am still in business.

Q. Now, you desire on behalf of your association to make a presentation to this committee on matters that are relevant to the inquiry? You will be good enough to present your case, Mr. McQuarrie.—A. I will be glad to try, and I hope that the committee will feel that it is relevant to the case. I have figured it out as best we could, in the short time at my disposal.

The CHAIRMAN: You may sit down, if you wish.

The WITNESS: I will be glad to sit part of the time, but just for the first few minutes, if it is all right, I will stand.

The CHAIRMAN: Till you get into your stride, as it were.

The WITNESS: Yes. Now Mr. Chairman, I am not going to be forgetful; I am not going to attempt to make a speech here this afternoon—I could not if I tried, but there are just some preliminaries before I get down to real facts of the case and the proof I want to give. I will try not to be too long. This is addressed to the Hon. H. H. Stevens, committee investigating the distribution of commodities.

Effect of mass buying by department and chain store organizations upon the independent retail trade, as well as its affect upon the community life.

The independent retailers in our province of Saskatchewan are very grateful to the federal government for the appointment of this committee to investigate retail trading conditions throughout Canada and in our province, because we feel that the large departmental and corporation chain store organizations have certain advantages in buying that the smaller independent stores do not enjoy, and that through certain trade practices adopted by these large organizations they have an undue advantage and through these advantages and by unethical trade practices they are making it very difficult for the independent retailer in the different lines of trade to carry on and are slowly but surely eliminating the independent retailer.

At the outset I should say that I am the secretary of the Retail Merchants' Association of Canada, Incorporated, for Saskatchewan, where, according to the recent census, we have some 10,728 retailers engaged in the different lines of trade, of which some 1,745 are general merchants, 1,730 handling food supplies, 369 handling men's and women's wear, including boots and shoes, 1,602 engaged in the furniture, hardware, drugs and builders' supplies, 1,213 in the automotive business, and other retail establishments numbering 3,310, and in addition some 701 restaurants. From this number of 10,728, take the 701 engaged in the restaurant business, and the very small stores, there would probably be one half or about 5,000 substantial retail business places in the province. Our own mailing list consists of 3,794 retail dealers, while our membership rolls carry about 2,300 names, and although these are not all at any one time paid up they represent the best element of the retailers of Saskatchewan. I wanted to give you this, Mr. Chairman, because it had been questioned at different places as to whether our association could fairly well speak for retailers.

*By Mr. Factor:*

Q. Have you the number of employees engaged in retail services?—A. No, sir.

Q. You have not?—A. No, sir; it is easily gotten.



Q. You have a membership of 2,300 names?—A. Yes. We feel therefore that our association does represent fairly well the retail dealers of Saskatchewan, and from meetings held recently in Regina, Saskatoon, Moose Jaw, Swift Current, North Battleford, Prince Albert, Yorkton, Shaunavon, Unity, Windthorst, Lloydminster, and some other points, as well as recent correspondence from throughout the province, that we are fully authorized to speak for and represent them before your committee.

Since your committee has been appointed, Saskatchewan retailers have sent in to us much material which we believe will go to show the condition of retail merchandising in our province. That the advantage in buying which the departmental and chain stores enjoy over the independent retailer, which with methods and practices which they follow through "loss leaders" and other methods, probably unfairly create in the minds of the public an impression that all goods in such stores are of better value than that which the independent retailer has to offer, and which we are not prepared to admit. Therefore they draw much business to them by cause of such tactics.

We will endeavour to lay before you and place in your hands the situation as it is, with proof, where possible, of the spread in prices where such large organizations sell below independent retailers' cost, and probably in some cases below their own cost in order to attract the public to their places of business and which necessarily tend to break the confidence of the public in the ability of the independent retailer to equally serve them. For your convenience we will file with you this material, keeping each section of the trade separate from the other.

We understand that the spread between the price charged to consumer and the returns to the producer will come within the scope of this inquiry and in regard to this I wish to say that the evidence which we will submit to you will show conclusively that the independent retail trade of Saskatchewan, whom we are representing, are selling on so close a margin of profit that there are very few of them to-day who do more than cover their overhead expense. You will also see by the evidence we will submit that this is entirely brought about by the policy of some manufacturers and some jobbers giving mass buyers preferential prices which enable them to sell to the consumer at prices below the independent retailer's cost. The spread between retail cost and consumer cost to-day is frequently insufficient to cover operating expenses and the retailer frequently has to deliberately sell at a loss in order to meet the competition of the departmental and chain store. The evidence we will submit is proof of this.

As you all know, Saskatchewan is a young province and the independent dealer in Saskatchewan can, with the farmer settlers, claim much credit for the building up in Saskatchewan during the last 25 years, of our cities, towns and villages which places are a credit to the province. Those thriving business centres scattered throughout our vast province have done much to improve and make brighter the life of the farmer, his wife and family, who settled on these plains, and working with the merchant they made Saskatchewan a prosperous province and a happy place in which to live. There are some parts that are not so prosperous to-day, but we who live there and have lived there a long time believe it will only be a matter of a short time until it comes back.

We believe, however, that while farmers and merchants were building Saskatchewan that through the catalogues of the large mail order stores from the east, who paid no business tax in Saskatchewan, and later the corporation chain stores and departmental chain system, through their catalogues and cut price competition, have been gradually eating into the distribution in our province to the disadvantage of the independent retailer, and which adversely affected the farmer consumer because through loss of volume of trade those once prosperous trading centres have become less important. We think that this can be largely attributed to the trading practices of large departmental stores and corporation chain stores.



Therefore, in presenting our views, we have in mind not only the adverse affect to the volume and profit of the retailers' business but we have in mind the community life of the settlers throughout the province. These small trading centres were not only business centres but they were places where the farmer, his wife and family gathered weekly not only to do their shopping but for social enjoyments. In the matter of the building and maintaining of our churches it was the retail merchant who took the leading part as he also did in sports and entertainment, hockey teams, baseball teams, public library, swimming pool, skating rink, agricultural society, and practically every effort that goes to make up the social and recreational life of the community, contributing generously so that such might be enjoyed for the benefit and improvement of the people of the district. What have the departmental stores done along this line?

The independent retailer in Saskatchewan has been a great factor in the development of the province and their every dollar has been and is invested in Saskatchewan. Their capital has been used largely to finance the farmer and broadly speaking their entire capital is to-day in the hands of the agricultural community and represents loans, not of money, but of the necessities of life. Our merchants have become largely indebted to the wholesale trade as a result of this common practice of giving credit to the farmer, and many of these retailers will pass out of the commercial picture unless trading conditions can be made such, that the business of retail merchandising by the independent retailer can once more be placed on more of an equal footing with the departmental and chain store organizations who are moneyed corporations with large reserves of capital behind them, and their gigantic businesses operate at strategic trading points throughout the province. They advertise largely and the prices at which they sell, exercise a measure of control upon the prices at which the independent retail merchant must also sell if he is to secure any share of the public patronage. Obviously business will go, especially in times such as these, to those who can make the public believe that their prices are the lowest and the values they offer the best.

I had one of the directors of the wheat pool in to see me a few days before I left and he said to me—and I thought in a few terse words—this is what he said, "Remember, Mr. McQuarrie, the public set the price of any article at the lowest price that that article is advertised or can be bought." I thought it was just about right. Those concerns advertise standard goods at such prices that the ordinary retail trade cannot compete with them and this must be done in one of two ways:—

1. Either they receive special prices, rebates or discounts from the manufacturer or jobber, or
2. They deliberately sell certain lines of goods at cost or below cost in order to attract business patronage and induce the public to believe that all their goods are for sale at the same advantageous prices, as what are called, their "loss leaders".

In either case we submit to your committee that their methods are unethical and unfair. If they can use their enormous buying power to secure preferential prices, discounts or rebates from the manufacturer then the whole system of fair and honest merchandising is undermined. If, on the other hand, they deliberately sell a percentage of their goods at a loss in order to attract business, then we venture to say, that is a trade practice, which cannot but result in an equal disorganization of the retail trade, which disorganization is bound to effect both wholesaler and manufacturer.

We would venture to say that the mainstay of the retail business to-day, greatly as it has suffered in the past years, is still the independent retail merchandiser, and we cannot conceive how it can be to the interests of the

manufacturers who in many cases also supply the independent retail trade, to give secret preferential prices or if they prefer to call it quantity discounts to the large retail operators, the mass buyers. This, they know cannot but result in ultimately putting the independent retailer out of business by systematically underselling him.

We will submit to you a number of authentic instances which will show the effect upon the retail trade of the absence of any fair trade rules in the business of retail distribution. We in Saskatchewan know that the producer, who in some of the cases you are investigating, gentlemen, will probably be the manufacturer, is badly penalized by this system. We have no hesitation in describing the system of these large corporations as deliberately smashing down prices in order to attract the public attention—which system is largely responsible for present disorganization of business. Standard values have been destroyed. If a producer, whether he be a farmer or manufacturer, will not accept the price they offer, they can by reason of their great operations, sell that particular line at a loss and inside of a month the general price level has been lowered to a point where the manufacturer will be only too glad to accept their price.

Now, since I came here, Mr. Chairman and gentlemen, I had some information that I thought would be desirable and I sent a wire to our office in regard to the matter of potatoes that had been through there. I have the story, but I did not get the wire back that I thought definitely decided the question I had asked. The facts of the case were, as I remember them—about two years ago the price of potatoes in the fall of the year was 80 cents. The merchants of the city of Saskatchewan were paying 65 cents to the farmer. A short time after that one of the larger merchandising departmental stores reduced that price from 80 cents to the consuming public to 65 cents and immediately brought down the price to the farmer to 50 cents.

Mr. FACTOR: A chain store?

The WITNESS: This was a departmental store. And then the next step in a very few days was to bring the price to the consumer down to 50 cents which brought the price down to the farmer to 35 cents.

Mr. SOMMERVILLE: When the general merchant or retail merchant came down to compete then the price was reduced again by the large buyer?

The WITNESS: Yes. Pardon me. I would like to say that following that my impressions of that case were that latterly three cars of potatoes were brought in by this large departmental organization and shut our farmers out; but I came away without this definite information and I wired to my office, and this is the wire I have. I think you should have it.

Mr. YOUNG: Do you know where these three carloads of potatoes came from? Were they bought on the world market at the prevailing price?

The WITNESS: No, Winnipeg—very close. This is the wire that came back. I will leave it with you: "Mass buyers policy particularly harmful to farmers within Saskatoon district stop They can buy potatoes at less than price retailer pays local farmers and undersell retailer who is forced to continually cut down price to the farmer to compete stop Saskatoon consumes approximately 12,000 bushels each month and local farmers could raise all requirements if reasonable price was maintained—J. W. Harris." (Exhibit No. 50.)

I am going to leave that, but it does not confirm the price range I was trying to give you. That is to the best of my knowledge and I believe it is correct.

Distribution, we submit, is one of the greatest employers of labour in the Dominion—



*By Mr. Factor:*

Q. You said distribution was the greatest employer of labour?—A. No, I did not go quite so far, but very nearly. I said, "distribution, we submit, is one of the greatest." I believe if it was checked up—I believe you will find it probably is the greatest employer of labour. Distribution, we submit, is one of the greatest employers of labour in the Dominion, employs a great amount of capital and enjoys probably the greatest turnover, yet it is without any control whatever. This can only end, in our opinion, in the mass buyers securing a monopoly of that business and elimination of all independent competition. It is impossible for any merchant to remain in business, do what he may, if his competitor through certain means can buy for 80 cents or 90 cents the same goods for which that merchant has to pay one dollar, or thereabouts, and it is impossible for him to remain in business if there are one or two giant competitors who are continuously deliberately selling certain items at a loss and so dictate the prices at which their smaller competitors must sell to retain public confidence. Again referring to what a pool director said to me, the public set the price of any article as the lowest price at which that article can be bought.

Might I mention the disastrous effect that this system of distribution is having upon the community life in the Province of Saskatchewan. Before the advent of the mass buyers into Saskatchewan, our towns and villages were hives of prosperity. Truly, there was competition from the great catalogue houses in the east who paid no business tax in the villages, towns and cities in our Province, and although their business cut in, to a large extent, yet the independent dealer could sell his goods at a moderate profit because the mass buyers ten years ago were not able to buy at such preferential prices as they are to-day.

*By Mr. Young:*

Q. When did the change take place, Mr. McQuarrie?—A. Well, it took place I should think, perhaps gradually within the last ten years, possibly less than that, within the last five years. Mind you, I think I would like to say that I do not think this is all the result of depressed conditions; I think perhaps it has been going on for fully ten years.

*By Mr. Edwards:*

Q. The last four or five years.—A. I think it started even before that, in fact I know it did.

Before going on to specific cases, might we say that the independent merchant is being eliminated from the business picture on account of:—

1. Special discounts and the fact that the departmental and chain stores are classified as jobbers and enjoy jobbers discounts.

I want to speak about that again.

Q. Would you say special discounts or secret discounts, or both?—A. Well, I think I would like to say both.

Q. What I am getting at is this, Mr. McQuarrie: Supposing an article, is gotten out at a dollar and for certain quantity buying a buyer gets a discount ranging down the line according to the quantity, what objection have you against that?—A. Just let me get that again, please.

Q. Supposing a purchaser is a \$5,000 purchaser he would get a certain discount; another purchaser is a \$10,000 purchaser, or a \$20,000 purchaser, he would get a larger discount. I mean that that would be perfectly open; what do you think of that, or is it rather secret discounts that you don't know anything about?—A. This quantity buying and large buying is a big problem, and I do not know that I would like to set myself up as an expert to say what would be the right thing along that line.

Q. Just your opinion that is all.—A. I would like to say this about it, that we have in our own city a merchant who does quite a considerable business in



a certain line; I heard someone give evidence here yesterday and to-day, and they said that was the last word in discount, secret or otherwise. Now, this merchant said to me "Mr. McQuarrie, my greatest problem is, I am getting a certain price and you wonder why I would probably give evidence or give you information on this line when it might appear to be against myself, but the thing I would like to know is whether or not I am getting the last discount."

Q. In other words you think secret discount does prevail?—A. I think so. Then continuing:—

1. Special discounts and the fact that the departmental and chain stores are classified as jobbers and enjoy jobbers discounts.
2. On account of the low wages paid to their ordinary employees other than departmental heads and executives.

*By Mr. Factor:*

Q. Have you got the statistics and the wages paid in department stores and chain stores in those products?—A. We have, yes.

Q. You have not them with you?—A. No.

Q. Are they pretty low?—A. Well you know, Mr. Factor, I am not very very good on those statistics, carrying them in my head; but I have got general knowledge of these things, and I would say that from the information that we have here, and information that has been handed to me, that I believe that to be the case, that is, outside of the executives; I know that from personal knowledge just as a citizen of our Province, I know that fact.

Q. That is an accurate statement?—A. I think that is absolutely true.

*By Mr. Young:*

Q. They hire cheaper clerks, do they not? Do they not get an inferior clerk by paying less money? Would not a clerk employed in an individual store getting more salary be a better salesman than a smaller paid clerk?—A. Well, there is a very great difference in salesman, Mr. Young. I know some wonderful men to-day who would be very glad to work for less salary sooner than go on relief.

Mr. SOMMERVILLE: When there is a surplus of material you generally get what you want.

*By Mr. Young:*

Q. Well, here are two padlocks; I got them in an individually owned hardware store and there is quite a difference. The man where I got them told me all about them, the relative merits of each. However, I went into a big department store and I found a girl standing behind the counter. I picked up two padlocks, different apparently as those two, and she could not tell me anything about them; she did not know anything about them. Would she be as valuable a clerk as the man who knew all about them?—A. With the consent of the Chairman, if you will permit me, I will answer you that by quoting from a letter which I received from the merchants of Yorkton. They had a meeting in the City Hall there on March 1st of this year, and this is what they say about that (Exhibit No. 51), Yorkton is a very fine town:—

Therefore the man who keeps the community going is branded as much inferior to a highly advertised and highly capitalized corporation. They sell the "best sellers" of a jeweller, yet no one in the establishment is conversant with the article, or could even make a minor repair. They sell the "best sellers" of a drug store, and cut in price, but the community when sickness prevails is forced to rely on the chemist. The hardware merchant has to carry a heavy stock of shelf and heavy hardware necessary for repairs and operation of a community, yet sees his bread and butter lines sold and cut to influence his trade away from him.

I think, Mr. Young, that answers your question, that there is a great difference in salesmen. The owner of the individually owned store, as a rule, tries to train his salesmen to know all about that particular line of merchandise.

Q. There is a certain advantage thereto.—A. Absolutely.

*By Mr. Factor:*

Q. It is a practice that has seemingly grown up in the department stores. I have a letter here from a clerk in a Toronto department store, stating that the salesmen were called in to work about the middle of the day; they were on half time getting \$9 a week plus 30 cents per hour for overtime. Do you know of any similar conditions prevailing in your part of the country?—A. They work part time there to.

Mr. SOMMERVILLE: Instead of employing the clerk for the week and by the week they employ a clerk for the week but pay for so many hours a day.

The WITNESS: So many hours a day, yes.

Mr. FACTOR: In this case, this particular gentleman worked from 10.30 a.m. to 4 p.m. with half an hour for lunch.

Mr. SOMMERVILLE: Those are generally the busy hours of the day, from 11 to 4.

Mr. EDWARDS: The balance of the time he is simply standing by.

The WITNESS: I think I would like to specify those three points again:—

1. Special discounts and the fact that the departmental and chain stores are classified as jobbers and enjoy jobbers discounts.
2. On account of the low wages paid to their ordinary employees other than departmental heads and executives.
3. That they buy from certain manufacturers who in order to give them low prices pay their labour employees starvation wages.

May we also say before presenting to you specific cases in the different lines of trade, which will be supported by proof, that large departmental and corporation chain stores advertise and sell for less than the independent retailer's invoice cost; might we say that it is the universal opinion of Saskatchewan retailers that some measure of control by legislation should be enacted so that the unfair advantages now enjoyed by those concerns may cease. Our retailers feel that such corporations should not be permitted to sell to the consumer at or below the prevailing wholesale price to the independent retailer which they are enabled to do through discounts from quantity buying, advertising allowances, secret rebates, etc.

In our own Province we are informed it is the intention of our Provincial Government to enact legislation whereby all retail outlets will be licensed, which licence will be subject to suspension or cancellation for selling below net invoice delivered cost, or current market delivered cost plus a minimum percentage representing compensation to the merchant, including cost of operation; also for misrepresentation in advertising. And that again I want to speak about. A prosecution department will be installed and adequate penalties provided for in the event of infractions of the Act under which all licences are granted. And in saying this I believe that I am correctly informed that such legislation will be brought forward in our legislature this year. I would also like to say that this has been brought up to the point of a Bill in the adjoining Province of Alberta, and our association and the government there have worked on it, and I think that our government are going to follow along some of these lines so that we will work together.

We recognize that in order to make this proposed legislation effective in preventing mass buyers from selling below retailers costs, there must be federal legislation controlling discounts, rebates and allowances.



Let me go back to this message from the City of Yorkton. Yorkton is a really good western town.

*By Mr. Factor:*

Q. May I ask just one question before you leave that point. It is possible to eliminate the low wages and the low standards prevailing in the individual stores so that the department and chain stores are unable to buy at ridiculously low prices, would that help the situation?—A. It would help some.

Q. I mean, if the manufacturers were unable to sell to the departmental stores at a low price that in itself would cure the problem to a certain extent, to a great extent?—A. It would help some. But there is just this, in our Province, we have a pretty big Province there and if we did not have these villages and towns scattered all over—they are of great value to our people—we would have too many people in certain places in the Province; it is a good thing to have, it is a leavening.

Q. What I wanted to know is this, does not the practice start with the manufacturer who by reason of the low wages is able to sell at a cheap price to the departmental store?

Mr. SOMMERVILLE: It is the low price at which commodities are sold, the one as against the other which creates a large part of your problem.

The WITNESS: It is by those practices that I have enumerated here, Mr. Factor, whereby it is possible for a few concerns to step in and make the public think that all the goods that all other people have to sell are not right.

*By Mr. Young:*

Q. Do I understand that your answer is, that if the department store had to buy for the same price and under the same terms as the individual store this difficulty would disappear?—A. I think that if these secret rebates and discounts were done away with so that the merchants in your town, and the merchants in your town, could go to their supply houses and know that they were buying these goods at the same price as other people were buying them, I think a lot of the trouble would be eliminated.

*By Mr. Sommerville:*

Q. In other words, you do not object to competition, it is unfair competition?—A. Yes, it has got to be unfair competition.

*By Mr. Factor:*

Q. Take a small retailer buying a small quantity from the manufacturer and a large department store buying a large quantity from the manufacturer, you would not put them on the same rate of discount, would you?—A. Well now, can you get along with the large departmental store in one place in the Province or two places, or must we have those small retailers there? There might be some little discount, but when it becomes so heavy or unreasonable—well, I think I had better leave it that way.

*By Mr. Sommerville:*

Q. When the discount exceeds the value of the service then it puts you in an unfair position in competition?—A. I would think so.

*By Mr. Young:*

Q. You spoke a moment ago of standard values, what did you mean by standard values? Standard values have disappeared, I think were your words.—A. I am just trying to connect it up, just where I was at there. What I was going to say was this: What are known as supply houses or wholesale houses, there is what is known as a standard recognized price.



Q. There is a recognized price then among the merchants?—A. Yes, of course there has to be.

Q. Does not that vary a lot? Take this padlock again. I priced it in three different towns in three different parts of the Province of Saskatchewan. In one town the article sold for 75 cents; in another for 50 cents; and in another for 45 cents, and they were all individually owned hardware stores. There is an enormous spread there in what you might call standard values.—A. The padlock looks alright, you know, but it is not what you would call a standard lock. I think I had better leave that. I do not pretend to know prices. I have got a pretty fair knowledge of merchandising but I just don't know the prices of different things like that.

*By Mr. Ilsley:*

Q. One of the witnesses said he would have it so that every merchant would be obliged to charge the same price.—A. I don't think I would be prepared to go that far, Mr. Ilsley.

*By Mr. Sommerville:*

Q. You suggest some measure of control?—A. Yes, I would suggest some measure of control. That is what we have stated in that preamble.

Q. O control in which the consumer, and the producer and the merchant would be represented?—A. Absolutely.

Q. Alright, Mr. McQuarrie.—A. I want to give you all the information I can and my time is your time, but I feel you must be tired. In regard to Yorkton, however, I feel that this would be desirable, and I think I had better read it:—

In response to your questionnaire, we, a representative group of the Independent Retail Merchants of the City of Yorkton, at a meeting held in the City Hall this first day of March, A.D., 1934, do hereby resolve that:

(1) We appreciate the opportunity of assisting in bringing to the attention of the Commission for Investigating Mass Buying, and its effect on the Independent Retail Trade, and any unfair practices.

(2) The members here assembled are of the unanimous opinion that the Local Retail Trade has and is suffering the consequences of being unable to compete with the existing method used by large mail order houses and chain departmental stores in buying and selling.

(3) Further, and finally, we cannot stress too much the extreme importance,—the cause which has given, merchants in towns and smaller cities, an absolutely unfair competitor. For many, many years, and of late years, growing to be a menace of huge proportion, viz. "Sale of best sellers."

In the case of chemists and druggists, jewellers, hardware merchants, electricians, radio experts, who operate depots, auto accessory dealers, clothiers, etc., in short men who specialize in a line of merchandise, requiring service in a community.

The actual supply of merchandise, we feel the commission will in time be able to cope with. Therefore will you put up the greatest fight you are capable of, to interest the commission in the fact that protection for these merchants is vital for them to survive, and that education of the consumer is also advised of that fact, and that we are independent. To see in the future at least a chance for decent remuneration for their work and apprenticeship, and for those they employ. We think this is the vital interest for Yorkton, and western Canada, west of Winnipeg, and as far as the coast, if not for the Dominion.

We are unanimous in feeling this is the greatest existing evil in modern merchandising, by 5, 10 and 15 cents stores, up to 25 cents stores or those operating with articles up to a dollar, and most of all chain department stores. They do not stay with general store merchandise, which store was always an essential store in a community. But when they see an opportunity for further profit or a means of bringing more people in their store, pose as chemists, optometrists, hardware merchants, jewellers, etc., etc., using only the "best sellers" of these places—their bread and butter lines, and cut in price to act as "bait." Draining the business from a whole community into their establishment under one roof. And thereby, by cutting the prices make that qualified person appear as an overcharging rogue, not to be trusted with other purchases, because he must be fleecing the public.

Therefore the man who keeps the community going is branded as a much inferior to a highly advertised and highly capitalized corporation. They sell the "best sellers" of a jeweller, yet no one in the establishment is conversant with the article, or could even make a minor repair. They sell the "best sellers" of a drug store, and cut in price, but the community when sickness prevails is forced to rely on the chemist. The hardware merchant has to carry a heavy stock of shelf and heavy hardware necessary for repairs and operation of a community, yet sees his bread and butter lines sold and cut to influence his trade away from him, etc., etc.

When vile and ridiculous mistakes have been made and the public has been made a victim of this procedure, they are often forced to spend large sums of money to regain that which they should have been advised in the first instance. They seldom realize they were fooled, and continue to patronize these institutions.

The highly trained merchandising expert, is able to fool a gullible public, who is not trained in true economy and thrift, and therefore get a major part of their earnings. The balance is tirelessly worked for by men trained to serve in their respective trades, and asking only (with exceptions of course) a reasonable remuneration, equitable with the cost of that service.

Therefore as voiced in your literature, it is just possible this may be the only opportunity to present itself in this century, wherein shopping can be returned to the location it belongs, thereby increasing true employment and a standard of living which is reasonable to employers and employees, justly earned.

We think this should be your great objective.

Could not the commission be brought to see these great institutions should be forced to qualify for any line they handle. Or else be forced to give it up. And not be allowed to have just "best sellers" to harass the proper store supplying this commodity.

In trade journals, no expert has been able to show why this could not be done. It appears that it will be the duty of the authorities of the Dominion, as the only persons who have the power to establish proper procedure.

Every man in your hearing must know his family has been subjected to articles finally proving useless, possibly health impaired, etc., etc., learning long afterwards, a specialist in any one of the lines could have sold him true knowledge with the articles sold, and an unestimable saving thereby.

The following is a list of the men and firms voicing these statements, and hoping to assist you thereby in this great effort.

*By Mr. Young:*

Q. Do you mean by that that we should take some steps to see that certain stores handle certain lines of goods and none other, and other stores handle certain other lines of goods and none other?—A. No, I don't know as we go that far—I don't know as we go that far.

Q. You say a big store looks over the drug field, and in a drug store they see what are the best sellers; they immediately stock them and grab off all the trade in these lines, and leave the unprofitable lines to the druggist?—A. That is about it.

Q. That is the thing?—A. One hates to do anything that would retard business, but if we could hold the clothier to the clothing business, and the grocer to groceries, and the hardware man to his own line, it would be desirable; but if these larger stores put them in and give full service in each of these different lines—which probably they could give—it just might be desirable. But I don't know that I am prepared to go so far as to say that we would have to do this. I think it would be an ideal condition.

Q. Would you do this: when the department store puts in a drug department, require them to handle everything that any other druggists handles?—A. Well, they would be handling a lot of stuff, if they did. I don't know as I would like to go that far.

*By Mr. Sommerville:*

Q. Your objection is that they take nationally well known goods, and by reducing the price of them reflect upon the regular trade handling those goods?—A. I think that is it.

Q. That is the whole object of that statement?—A. Now, Mr. Chairman, I have some valuable information here for you people. I am not going to read this part of it, but there are about twenty letters from maybe two or three hundred that I have, exemplifying a certain point.

Q. That is on the question of the loss leaders?—A. Yes, along that line.

Q. We will have this brief. It is a series of letters and advertisements? (Exhibit No. 52.)—Just a few advertisements exemplifying some points that they have raised. I think I will cover that all pretty well here.

*By Mr. Factor:*

Q. You mean complaints from individual retailers?—A. Yes.

*By Mr. Sommerville:*

Q. From all parts of the province?—A. I could have brought many more, but I did not want to burden you unduly. I think I had better just give you now some of the facts in connection with what has taken place in our merchandising problems out there. I have here the invoices from the different merchants, of the goods that they purchased, and I am going to take groceries and drygoods first. I will mention a few items, but I have got many items, and I am going to give you the invoices under which they bought these goods; and I am going to give you a copy of the advertisement that appeared in the paper of that vicinity at that same time. It will probably not be necessary for me to say anything further than that I am giving you the invoices—the actual invoices to the merchants—from the supply houses and a copy of the newspaper carrying the advertisement, showing that the departmental stores and chain stores actually did advertise and sell at the prices named there.

Q. Are those prices the same as or less than the invoice price to the merchant?—A. I will show that here.

Q. As you give the price of the thing, you will show the price it sold at?—A. Yes. Here is a case of choice pink salmon, and we sell Eatons, the depart-



mental and chain stores; the selling price is advertised as 3 tins for 25 cents. The independent retailers' cost price is  $27\frac{3}{4}$  cents.

Q. For the three?—A. Yes. Sugar crisp corn flakes, 5 cents as against  $7\frac{1}{2}$  cents.

*By the Chairman:*

Q. The invoice price?—A. The invoice price, and that invoice is right here. Pork and beans, 16 ounce, 5 cents, as against  $6\frac{3}{4}$  cents.

*By Mr. Young:*

Q. The same brand?—A. The same brand.

*By Mr. Factor:*

Q. The retailer buys from the wholesaler?—A. Yes, from the supply house.

Q. And the wholesaler's profit is included in that price?—A. He is having a rough time.

Q. And the wholesaler is having a rough time.—A. Carnation No. 1 talls, 3 tins for 25 cents as against 3 tins for  $27\text{-}3/16$  cents; Nabob tea, 45 cents, as against 45 cents to the retailer; Nabob coffee 39 cents, as against 41 cents. If he wants to compete he has got to lose two cents.

The CHAIRMAN: They both must get them, in that case, from the same institution. There is no intermediary in that.

Mr. FACTOR: In that particular item.

The CHAIRMAN: Nabob products are turned out by a large wholesale house in Vancouver.

Mr. FACTOR: Independent retailers get the other articles from the middlemen.

The CHAIRMAN: In some cases there is the wholesaler between the retailer and the manufacturer. In these last two articles there is not.

Mr. FACTOR: Then the question comes in whether there should be a middleman.

*By Mr. Sommerville:*

Q. Will you continue?—A. Ontario cheese, 12 cents as against 14 cents. I will mention sugar here. We pay at Prince Albert, \$7.70, as against \$8.02. I am going to leave that with you.

Q. That is a list, attached to which you have the advertisements of the chain or department stores?—A. Yes, to back up what we are saying.

Q. And you have the invoices to the retailer?—A. Yes. Here is another grocery list, with invoices, showing Campbell's tomato soup, nationally advertised 2 tins for 15 cents to the consumer;  $14\frac{1}{2}$  cents as the retailer's cost; Kellogg's corn flakes, 2 packages 15 cents, and the retailer's cost 2 packages 15 cents; P. & G. soap, 10 bars for 35 cents as against the retailer's cost of  $35\frac{1}{2}$  cents. You have got to get down to these fine percentages.

Q. That is all right?—A. Butter, No. 1, 3 pound block, Prince Albert creamery, 83 cents advertised by the department and chain stores as against the retailer's cost of 83 cents, butter manufactured right in Prince Albert.

*By Mr. Factor:*

Q. Are all those articles used by the stores as loss leaders, or are they bought at lower cost and therefore can be sold at a lower price?—A. I am going to give you that. I think on pretty fair numbers that there are advertising allowances made by certain manufacturers to retailers. I cannot prove that myself, but I believe it occurs, and I don't know that they always use that up in advertising.

*By Mr. Sommerville:*

Q. The prices you give us, in any event, are indicative of articles being used as what you call loss leaders?—A. Yes. Now, we will leave that and proceed. I have here a letter; I am going to leave it with you. It is from one of the

wholesale houses in Saskatoon that does a large volume of business. They are city merchants and country merchants. I am not going to read the whole of that letter, but I would like to be permitted to read these two paragraphs:—

Although to the best of our knowledge the above information is representative of buying practices of all wholesale grocers and chain organizations in this territory, we are not in a position to know buying practices of department stores, except that their retail prices, such as are offered weekly at intervals at much below wholesaler's replacement cost, point to unethical methods.

The effect of such department store loss leaders, as they are commonly known, upon other retail outlets is that, owing to the consumers' idea of fair value having been upset through such unethical advertising influence, they cannot obtain a fair share of business at equitable prices; and through this alone many are suffering losses, while periodically some are being forced out of business. We can say without fear of contradiction that all classes of retailers in this territory, aside from department stores, will welcome some sort of control code providing that minimum selling prices must show a definite percentage over replacement cost, with due provision for clearance of seasonal merchandise, sale of perishable or damaged goods or of discontinued lines at special lower prices. It is entirely and essentially in the interests of the retail trade in general that some such control be imposed in order to remove the unethical practices of department stores.

Q. The object of this exhibit is to indicate that these wholesale prices, even in carload lots, are above the prices that are offered by departmental and chain stores in their loss leaders?—A. Yes, that is right. Now, Mr. Chairman and gentlemen, I have here a copy of another letter from a wholesale house in Saskatchewan and I am going to leave it here. I cannot give you his name. He says he cannot give you his name, but if it is really necessary for you, I will get permission to use his name. I think it is rather unfortunate that a large wholesale house cannot express themselves for fear that they will be decapitated or lose business.

*By Mr. Young:*

Q. Will they be decapitated by these big department stores?—A. That was his idea. I was talking to this man, and his idea was that if I disclosed too much on this, he might lose business.

Q. Does he deal with them?—A. Apparently so. I had a long-distance conversation with this man and he wanted to help you people.

*By Mr. Sommerville:*

Q. He is just afraid?—A. He is just a little afraid.

Q. He is not the only one?—A. No, I think not.

*By Mr. Factor:*

Q. Just as the workman is afraid to complain of receiving the low wages that the manufacturer pays?—A. Yes.

*By Mr. Edwards:*

Q. Afraid of the big stick?—A. Yes.

*By Mr. Sommerville:*

Q. Is he a wholesaler who sells to Eaton's or large buyers?—A. He is an independent.

*By the Chairman:*

Q. Will you go on with your cases?—A. I think I would like to give you this, and I want you to pay particular attention to it—this is from our own city, the city of Saskatoon—that we have there what are known as United Stores, and I suppose there are twenty-four of them.

*By Mr. Young:*

Q. A chain?—A. A voluntary chain—call them a chain if you like. Each one owns his own store.

*By Mr. Sommerville:*

Q. They unite to buy?—A. They unite to buy. There are two points I want to mention here. Probably if I read part of this letter, it would answer the purpose:—

I am attaching a copy of an advertisement of one of our large department stores taken from one of our local papers last night, advertising Lux toilet soap 5 cents per cake, to which I have attached an invoice from one of our larger wholesalers showing our cost at  $6\frac{1}{4}$  cents on this same product.

Another departmental store advertises another very popular line of domestic shortening at three pounds for 25 cents. I am also attaching an invoice showing our cost for 3 pounds of domestic shortening at slightly over 30 cents.

This same store last night advertises plum jam, No. 4 tin, at 29 cents; and you will notice from my invoice attached that our cost of plum jam is 37 cents.

*By Mr. Young:*

Q. Is this a voluntary chain?—A. Yes.

Q. You say they deal with the wholesalers?—A. Oh no, these are just retailers.

Q. Twenty odd united for buying purposes?—A. Yes.

Q. From whom do they buy?—A. One of these wholesale houses is Campbell, Wilson & Miller; and here is another one, Canada Packers.

*By the Chairman:*

Q. That is, direct?—A. Yes.

Q. What is the next one?—A. Plum jam; Campbell, Wilson & Miller.

*By Mr. Factor:*

Q. What is that, a wholesale house?—A. Yes, a wholesale grocery; Canada Packers, they get that domestic shortening direct from them.

*By Mr. Young:*

Q. Do any other voluntary chains buy direct from the manufacturer?—A. There are some things they buy from the manufacturer direct; and no doubt they are shipped direct as it is cheaper, probably.

*By Mr. Sommerville:*

Q. I suppose they buy as cheaply as they can from the manufacturer?—A. They do the best they can.

Q. But even with this direct buying they are undersold?—A. I want you to know, gentlemen, that I know personally everyone of these men, and they are all bona fide good retailers who just have their home, their family and their store there, and that is their problem.



*By Mr. Young:*

Q. We don't doubt that; what we are trying to get at is why they are paying the extra profit to the wholesale when the department store does not have to pay?—A. Let me go on for a minute there, and I think I can clear that up. Some 19 or 20 years ago there was a company—and I believe it was you who asked this question this morning—known as the Merchants Consolidated. About 19 or 20 years ago the merchants felt that they were not able to buy from the regular supply houses as well as they should, and they decided they would form their own wholesale houses, so they got a charter and it was known as the Merchants Consolidated, and they sold stock in that. The lines they were to carry included hardware, groceries, drugs, and boots and shoes to start with. A lot of the stock was subscribed for in Manitoba, Saskatchewan and Alberta, and they were going to open up branch warehouses in Saskatchewan and Alberta as they were needed, and as the demand was there. However, Merchants Consolidated did not get away to a very good start; but however they struggled along, and they struggled along, and they seemed to improve conditions; and then for ten years back, and to-day they operate a wholesale supply house for groceries, clothes, drugs, boots and shoes, and staple lines of hardware, harness, and drugs.

Q. This is the letter. I have to read the letter, but I will leave out the name of the company that is mentioned?—A. Just one second further, and that will answer this complete; and as you say, for some time we had our own wholesale house. The merchants in our province having learned what was being done in British Columbia, in Ontario and Quebec, decided that an investigation should be made to see how they were doing this thing, and that investigation recommended them going into all this thing. The Committee that went down to investigate these things came back and they recommended on their return to Saskatchewan that this firm, Merchants Consolidated, was about the best thing to fit their need; but the difficulty was to raise enough money to start a wholesale grocery house, and that took about \$80,000, and it was pretty hard during the last year or two, and that didn't aid us. So the Merchants Consolidated made arrangements—they said, the wholesalers said, if you can't start your own wholesale houses, we will make arrangements with one of your own local wholesale houses there; and that was received with a good deal of satisfaction.

*By Mr. Sommerville:*

Q. By the way, Merchants Consolidated is a wholesale house?—A. It is a bona fide wholesale house formed 19 or 20 years ago, it is a joint stock company and the capital was subscribed by retail merchants.

Q. Retail merchants?—A. Yes. And when it came to be named, the supply house in Saskatoon which was to serve these merchants, it was a locally owned chain known as the O.K. Economy Stores; and we didn't have to think about that. These O.K. Economy Stores were big competition to these general merchants which I have just passed down there, but they were not to cut, and when the merchants found that out, it was quite a relief to them. And that brings us to the point that you are trying to get at, that unless the merchants have their own supply house—and in that case they did not own it, although they have one in Winnipeg which serves between 37 and 43 stores throughout Saskatchewan, and it is working out not badly.

*By Mr. Young:*

Q. A pretty good reliable firm?—A. Yes.

Q. Now I will read this letter. Its address is from Saskatchewan, and it reads: "Dear sir—The Blank Manufacturing Company refuses to extend to Merchants Consolidated, Winnipeg, a merchant-owned wholesale company, their

regular wholesale discount. Last year we shipped goods from Sweden, but tariffs forbid it this year, and the manufacturing company concerned control this line of goods in Canada. This being a merchant-owned wholesale, it is an unfair disadvantage to this company, and I would like you to use your influence on our behalf."

Q. Have you any experience of that kind of thing?—A. Yes, I have; a lot of experience on that. I have something on that right here.

The CHAIRMAN: Suppose we go on with this particular one thing.

Mr. FACTOR: Yes, let us dispose of that and Mr. Young will be satisfied.

*By the Chairman:*

Q. Quite so. Will you take that particular file, please.—A. This is the Blank Manufacturing Company, a Canadian company—and this, Mr. Stevens, as Chairman, I want to draw to your attention; this was one of the things I was asked to bring to your attention.

The CHAIRMAN: Quite so.

The WITNESS: The Blank Manufacturing Company (the name is right here) a Canadian company manufacturing hardware, refuses to extend their wholesale discount to Merchants Consolidated Limited of Winnipeg, the retailer-owned wholesale store, but they should not take such action as against a bona-fide wholesale house, operated by capital subscribed from the retailers. Now, that is exactly what you asked, and I think that is all that I need to say. I want to say that I have no brief from the Merchants Consolidated to speak on their behalf for this. I have no doubt they will do that for themselves, and I am interested in this because in their letter to that company—

*By Mr. Young:*

Q. This explains some of the difficulties of the retail merchants, and perhaps in part explains some of the wide spread?—A. Of course, they too have their particular problem.

*By the Chairman:*

Q. Let us finish this now. Perhaps we should have that?—A. No, I must keep that here; but that answers him.

*By Mr. Edwards:*

Q. Following up the question asked by Mr. Young; have you any knowledge of how many wholesale hardware places there were in Winnipeg say ten years ago and as at the present day?—A. No. I could give you an idea.

Q. Do you know that they have been absorbed by one of the large wholesale houses pretty well?—A. I did not know that they were absorbed by one; I don't think I could say that.

Does that make that clear, Mr. Young.

*By Mr. Young:*

Q. Not at all, because a similar thing happened?—A. This whole concern, I don't think it would have got started if it had not been for one of the ministers here who corrected this very thing here about ten or fifteen years ago—I don't know just how long ago.

Q. That is to say, all the manufacturers are treated in that way?—A. They were having a rough time.

*By Mr. Sommerville:*

Q. Now then, go ahead please?—A. Then we come here to a man—I am not going to read all of this here—but it comes from Lloyminster, the home of the Barr colonists, and just see what they have here; here it is, bread free.



*By the Chairman:*

Q. Bread advertised free; is that by a chain store offering bread free?—

A. Yes, a chain store—we will give absolutely free two loaves of wrapped bread with each one dollar purchase of groceries; limit two loaves to a customer. Now, you ought to read all of these. That (exhibiting) is another from Lloyd-minster.

Q. Just a moment, what effect does that have upon your local baker?—

A. It just about ruins him.

Now, there are two or three letters here and I will go to the last one; now this man here—and I think this worth while mentioning—speaks about some of the problems: in the first place, a chain store where there is competition, is known to sell as much as 20 per cent lower than at points where they have no competition. We have proof of this last summer, when produce was selling very low where there was competition like in our town they were paying 8 cents for eggs, and at another town, east of Assiniboia, the same concern on the same day was paying 4 cents, which goes to show that as they freeze out the independent retailer, they then make the consumer pay.

*By Mr. Young:*

Q. What date was it that price?—A. The date of this letter is the 28th February this year, and he speaks about the prices of last summer.

Let me give you just one more word here: as to the mail order system, the greatest wrong of all wrongs is being allowed to trade in the different small communities without paying a tax for this privilege. The second is the amount of people put out of work by this system clear through from the wholesales to the clerks in the different stores; this system, we claim, has already thrown thousands of people out of work besides draining all the rural districts of money.

*By Mr. Factor:*

Q. Does he advocate abolition of the mail order system entirely?—A. I don't think that is what they want. We don't want to put these people out of business, but we want to get them under control.

Now, here is another case at North Battleford, where Western Grocers Limited, one of the North Battleford's large wholesale houses sell the Rex Groceteria of North Battleford one case of Fels Naphtha soap for \$7.50; and here is an advertisement in the North Battleford News (or Optimist) which shows that Fels Naphtha soap in ten bar cartons is offered to the public at 73 cents per carton—they don't have to buy a case.

Mr. KENNEDY (*Winnipeg*): I would like to raise a point here. I realize the desirability of withholding the names of concerns where facts are stated that have yet to be verified, but in an instance such as that advertisement of "free bread," an actual advertisement which is produced as taken from the paper, I do not see that any good purpose is served in not publishing the name of the store; because after all I think publicity is probably one of the cures of some of these things. For instance, there is the advertisement produced by Mr. McQuarrie.

The CHAIRMAN: Everybody has seen that.

Mr. KENNEDY (*Winnipeg*): Is that the one advertising free bread? I would suggest in a case like that where it requires no further investigation that the name be given to the public to the committee.

The CHAIRMAN: We might charge them for the value of the advertising we would give to them.

Mr. KENNEDY: I do not think that would be the reaction.



The CHAIRMAN: Well gentlemen, I do not wish to be unjust to anyone, but where you have an advertisement widely published and already widely read, if there is anything to be ashamed about in it, of course the parties ought to have been ashamed when it was published. On the other hand, if there is nothing wrong with it, why should not the names be given.

Mr. ILSLEY: I do not see anything for it one way or the other myself, Mr. Chairman; I do not see any objection, or any advantage. The idea that we ought to punish these people by publishing their names is Mr. Kennedy's idea.

Mr. KENNEDY: It is not a question of punishing, it is a question of informing the public and letting the public get the facts.

The CHAIRMAN: Letting the public judge?

Mr. KENNEDY: I would ask who is the concern that advertised bread free?

Mr. FACTOR: The difficulty is that we have not been receiving all the facts so far in this investigation.

Mr. KENNEDY: I am only referring to a case where we have the facts.

Mr. FACTOR: There is no objection to that at all.

The CHAIRMAN: Proceed. Where you have the facts you may give the name if you wish.

*By Mr. Kennedy:*

Q. You might tell me what is the name in the advertisement?—A. If you wish to know the name of these people—I think it was "Safeways" of Lloydminster, Sask.

*By Mr. Young:*

Q. Are they a voluntary chain, or a controlled chain?—A. They are a corporation chain.

Mr. SOMMERVILLE: They are a very large chain throughout the West.

*By Mr. Kennedy:*

Q. That is the one to which you referred?—A. That is the one, their head office is in New York, they are American-owned.

Mr. FACTOR: The firm that gave bread away.

The WITNESS: Yes, that is right. I probably should have started here. You hear so much about clothing, and Mr. Cook has done so much that I did not want to say very much about it. Mr. Hill is a merchant tailor in our city, and he is a good merchant tailor. He gave me an invoice here of some goods bought from Lowe Donald and Company—it sounds pretty Scotch—from Peebles, Scotland. He gives an invoice here showing that for a  $3\frac{1}{4}$  yard suit length, the cost was \$18.80; the wages on the coat is \$11, the cost of making the coat \$11, the vest \$3 and the trousers \$3, a total of \$17. That is the cost of the suit, not counting the overhead, or \$35.80 without trimming, and he gave \$5 for trimming, making a total cost of \$40.80.

The CHAIRMAN: For the suit?

The WITNESS: For the suit. It is a clearance bill from the customs.

*By Mr. Factor:*

Q. That is a pretty dear suit for a workman to buy?—A. A Harris tweed? I am not perfectly sure, but at any rate he speaks about Harris tweeds. Here is an advertisement under date of February 28, where one of the large corporations are advertising a Harris tweed, genuine Harris tweed tailored-to-measure three piece suit, \$25.

The CHAIRMAN: Who is advertising?

The WITNESS: I do not know much about Harris tweeds, so I won't say much about that, but Mr. Hill is a good man and has been in our city a long time. He used to tailor in Toronto on one of those good streets. Now, let me come to another point here.

*By Mr. Factor:*

Q. Would you expect a workman to pay for a suit like that? What would that retail at, about \$50?—A. He says here a fair price on that would be \$55.

Q. How could any workman pay \$55 for a suit?—A. I do not think he would. Probably there are other suits there.

Mr. SOMMERVILLE: He would not be having made-to-measure suits.

The WITNESS: There are details here. If you and I could not, there are others that would.

Mr. SOMMERVILLE: The point you are making is this. Harris tweeds come from Scotland, and have a definitely recognized world-wide reputation?

The WITNESS: That is it.

Mr. SOMMERVILLE: They could not be made for anything like that money?

The WITNESS: That is it.

*By Mr. Factor:*

Q. That advertisement is either false or true. If it is not a Harris tweed, it is, then, false advertisement?—A. Exactly, sir.

Mr. SOMMERVILLE: Mr. Factor, I think Mr. Cook explained that yesterday. Mr. Cook explained that Harris tweed is a name that is not protected, but it has a reputation that is wonderful. Anybody can stick the name "Harris tweed" on their material and they are drawing on the reputation of a great old established Scottish industry.

*By Mr. Ilsley:*

Q. There may have been genuine Harris tweed there, you don't know. In my own personal inquiry, I have heard of Harris tweeds having been sold for those low prices. You do not know, or do you, that that is a false advertisement?—A. In speaking to him, I was just going to say that. Mr. Hill says that the department stores are either misrepresenting the goods, or they are buying much cheaper than he could buy and paying much less for labour. I will leave it at that.

Q. Or selling at less than cost?—A. Yes.

Mr. SOMMERVILLE: You are filing the file in that connection?

The WITNESS: If you want a folder for these, I will be glad to let that carry along. Now Mr. Chairman, I think somebody pretty well covered the butchers, but there are just one or two points here I would like to say. On the day before I left, I had a letter from a good butcher in our city and he said that he wanted me to take this invoice of the Canada Packers down; and he said, "I have bought 30 pounds of domestic shortening at a special price of 9½ cents, and they charged me \$2.45"; and he says that a department store on that day advertised domestic shortening not more than 3 pounds to a customer, 3 pounds for a quarter.

*By Mr. Sommerville:*

Q. Direct from the maker?—A. Direct from the Canada Packers. I guess it is their own stuff. Now, there are several other items on there that I do not think I had better go into.

Q. That has to do with the butcher industry?—A. Yes, and also there is an item from another firm, Swift Canadian, and one from Burns.



*By Mr. Factor:*

Q. Where would the store get the shortening; would they buy the shortening from Canada Packers also?—A. I would be inclined to think so, yes.

*By Mr. Young:*

Q. Have you any idea how these packers supply; do you know the method they have of furnishing their goods to the retail trade out west?—A. No, I do not think I do.

Q. Some years ago I happened to be in a general store talking to the proprietor, a car drove up and a man got out of it and went into the store, took a card off the wall, and went out, got into the car and drove away. The merchant said, "It is a great business. He represents a packing house." He said, "they furnish me with a card, and when I run out of their goods I write them down on the card, and he comes around there once a week, and picks up that card and goes on to the next town." It seems to me that is a very extravagant way of doing business?—A. I can tell you this: they have their travellers there calling on the stores; they are not expensive men.

Q. They cost much more than a postage stamp. He could have sent that card in with a postage stamp?—A. The traveller carries with him—the traveller is a good man, and in calling on these stores, keeps up to date. He has got a lot of information that the merchant would not get otherwise. I would not say that the traveller is not a valuable asset in the distribution of goods. If he is and up to date traveller, he is going to be informed about those things, and he is going to carry a message to every merchant.

The CHAIRMAN: You have not given us that last one.

The WITNESS: Yes. I want to give you this one, too. This has just come to me since I have come here; and I think one of our great problems in Saskatchewan is in connection with our advertising. I am going to be quite frank about it. I will be glad to mention the name of the Army and Navy store at Regina as being the concern that very very frequently has bad advertising. Their advertising is bad. We think it is misrepresenting the values, and on two or three occasions we checked them up on it and Mr. Cohen told me himself this: now, he said, I am going to see these, and I am going to pass on this advertising myself." Our attorney general's department is very busy, and it is pretty hard for them to prosecute those things as we think maybe, they should. We are not complaining about it, but we are hopeful in this new legislation, the licensing of stores, that there will be a prosecuting department in which such things can be taken care of. I am assured that this is one of them. This case is a case—this is a case of March 2, invoices from P. Burns and company, and the Swift Canadian company. Eatons ad, departmental store, advertises "blood and liver sausage at 10 cents per pound." On this same day... a reputable firm in Regina, operating two stores at 11 cents per pound—same being the regular list price. Also lard advertised in the store at 10 cents per pound, invoiced on the same day at 12 cents per pound.

The idea in submitting these is the fact that the mail order and chain stores are evidently able to sell these at less than the independent can buy them. I might say that I attended a meeting of the butchers last night at which there were about fifteen present, and they are all convinced that the three packing houses operating in this city of Regina operate under a price agreement which is checked up sometimes as often as twice a week. I do not know whether there is a law against price agreements or not, but I hope that the commission can look into this.

These are the invoices and the charges made.

Now, this is an affidavit from Harold Wright at Regina, and he gives an exhibit A—"A short time ago the Army and Navy department stores of this city bought the bankrupt stock of Mac & Mac Limited, which consisted of men's clothing and furnishings, and men's hats and caps.



Mac & Mac Limited never at any time handled boots and shoes, this I know personally and also Mr. Ross, former proprietor of this store told me that they had never at any time handled boots and shoes.

To-day I visited the Army and Navy stores and they had conspicuous signs distributed over their boot and shoe stock reading as follows: "Mac & Mac's Stock, bought at 50 cents on the dollar." Immediately beneath this on the same frame was the name and price of shoes. I might say that the above quoted words were printed in red on a strip of cardboard, I should say from 18 to 24 inches long and about 4 inches deep; then immediately below this with a different background and a much larger display was the name and price of the merchandise which presumably the sign was in the midst of or immediately back of the sign. These signs were displayed on tables containing shoes also on shelves which contained shoe boxes, presumably full. I am simply submitting this is an illustration of false advertising which has come to my personal notice and am attaching an affidavit of Harold Wright to this letter."

Now I think I would like you gentlemen to look into that case because it is bad. Now, here is another. This is from Mr. Layfield of Barrie's, Regina, and he gives here an advertisement as well—"Travellers samples men's shirts, \$1.39." I am going to try to set forth what is given. "Attached you will find page 10 of the Leader-Post, Regina, of Tuesday, February 20, 1934, containing advertisement of the Robert Simpson Western, Limited. On this page you will see advertised a sale of "Travellers-Samples Men's Shirts."

It is a well-known fact, which can be verified by any traveller for men's shirts, that travellers carry as samples only one size shirt, and that the number of shirts carried by even larger companies as samples, would not exceed possibly three dozen, augmented by swatches to show styles and qualities of materials.

It is my contention that in advertising these shirts in sizes 14 to 17½, they are misleading the public into believing that they are getting "sample" shirts at a big reduction, when in reality they are buying regular stock. I feel that this is a direct case of misrepresentation in advertising.

The CHAIRMAN: That is a good illustration. Next?

The WITNESS: On that advertising we could give you a tremendous lot, but I am not going—

Mr. SOMMERVILLE: You have given us some good material. Perhaps you could file these things with us and leave the matter for investigation.

The WITNESS: All right.

Mr. FACTOR: It is refreshing to have this witness give us facts instead of making speeches.

The CHAIRMAN: Yes. He has given a lot of good facts.

The WITNESS: Now, I would like to say something in regard to the boot and shoe industry. I have here a list of articles that were advertised in the Saskatoon papers at such and such prices, and I have the advertisements here with the date on them and the price at which real good stores are buying shoes. Well, now, the advertisers are the big departmental stores in Saskatchewan.

The CHAIRMAN: If their names are on the advertisements you are at liberty to use them.

The WITNESS: Men's cloth top rubbers, advertised price .99, retailers, wholesale invoices cost .95.

Mr. FACTOR: From the wholesaler?

The WITNESS: From the wholesaler.

*By the Chairman:*

Q. The boots and shoes are delivered from the factory direct to retailers, not through a jobber?—A. Yes, that is right.

Q. There is no jobber in the shoe business?—A. Yes. Rubber overshoes, advertised price \$1, our cost \$1.20; fur-trimmed goloshes, advertised at \$3.45, our cost \$2.89. Let me follow that through. After selling them for two weeks the departmental store reduced the price to \$3.29. After continuing another three weeks they were reduced to \$2.95, just 6 cents above our cost.

Mr. YOUNG: Was the quality the same as yours?

The WITNESS: The same quality.

The CHAIRMAN: Go on with some more of them.

The WITNESS: Men's two-buckle overshoes, advertised price \$2.19, our cost \$1.97; boy's two-buckle overshoes, advertised price \$1.69, our cost \$1.68; child's white rubbers, advertised price .59, our cost .65; jersey top overshoes, advertised price \$1.98, our cost \$1.87; men's plain rubbers, advertised price .79, our cost .82; men's 2-buckle overshoes, advertised price \$1.89, our cost \$1.87; men's zipper, advertised price \$3.29, our cost \$3.15; men's blizzard, advertised price .93, our cost .95; misses' 3-buckle, advertised price \$1.79, our cost \$1.54; child's 3-buckle, advertised price \$1.69, our wholesale \$1.41, boy's 2-buckle, advertised price \$1.69, our cost \$1.68; boy's 1-buckle, advertised price \$1.49, our cost \$1.31; women's 2-dome overshoes, advertised price \$1.98, our cost \$1.78; misses' 3-buckle, advertised price \$1.79, our cost \$1.54; child's 3-buckle, advertised price \$1.69, our cost \$1.41; men's 2-buckle, advertised price, \$1.89, our cost \$1.97; men's 1-buckle, advertised price, \$1.49, our cost \$1.47; men's plain rubbers advertised price .69, our price .68; women's 2-dome, advertised price \$1.69, our cost \$1.78; misses' 3-buckle, advertised price \$1.49, our price \$1.54; child's 3-buckle, advertised price \$1.49, our price \$1.41; men's blizzard advertised price .89, our cost .95; men's 1-buckle, advertised price \$1.39, our cost \$1.47.

*By Mr. Sommerville:*

Q. You have not much left in the field of rubbers?—A. Well, that is probably enough. Now, I would like to mention something about Hurlbut shoes being put on for semi-annual sales. I do not know the full facts about them but I have got these from all the shoe dealers of Saskatoon. On Tuesday, August 17, 1931, sizes 11 to 2, regular price \$4.50, sale price, departmental stores, \$2.98, our cost, strap, \$2.95, oxford \$3.20.

*By Mr. Factor:*

Q. The witness said the six departmental stores sell inferior quality goods made specially?—A. Yes. These men told me, and I think all the shoe men in Saskatoon talked about it. Probably that is sufficient.

*By Mr. Sommerville:*

Q. That is an indication that out there that thing is done?—A. Yes. I think I should say here that I would like to just read a letter from the Miner Rubber Company, one of the large rubber companies to one of our merchants where he wrote them asking if they could send him something—2 dozen pairs of boots similar to compete with Simpsons. He only wanted to compete. He was not seeking a profit. They wrote this reply:—

We have your letter of the 12th enclosing "Simpson's Flyer" illustrating a gum-rubber boot price \$1.79, and we are sorry that we haven't anything in our range which we could send to you to compete with this.

At the time of this writing we do not know just what brand of rubbers these are, but as we note they mention on the "Flyer" that the

quantity is limited we presume that this is an imported line from Singapore, India. If that is the case the Canadian Rubber Companies are unable to produce a shoe to meet this competition on account of labour conditions, and these foreign goods are made under Asiatic labour conditions, the rate of wages being very low, about 40 or 50 cents a day.

Possibly another reason why they state the quantity is limited and give the time up to March 15th is because they are unable to get deliveries, as goods brought in from a foreign country must be bought and taken delivery of six or eight months in advance.

As requested we are returning the "Flyer" herewith.

Our people think it would be desirable if you would investigate if that is the real cause.

Mr. FACTOR: I think it would be desirable also to investigate the labour conditions in those rubber factories, the Canadian labour conditions.

The CHAIRMAN: Very good.

The WITNESS: I brought another one here from A. D. McDonald, of Weyburn, Saskatchewan. Since Mr. Young is a member of this committee I thought I would bring it along. There are a number of items there, women's rubber overshoes; the wholesale cost is \$1.26, and in this newspaper of recent date they were advertised for \$1.25, 1 cent less.

*By Mr. Young:*

Q. What company is selling them?—A. This is the A Company of Regina.

Q. They are selling them in Regina, they have no store in Weyburn?—A. No, but this newspaper goes out to Weyburn. And here is another item, misses and childrens rubber boots, 8 to 10, the wholesale cost is \$1.31, and from 11 to 2 the wholesale cost is \$1.47, and they are advertising them here at \$1.29.

*By Mr. Sommerville:*

Q. That is in Weyburn?—A. In Weyburn, Saskatchewan.

*By Mr. Factor:*

Q. It seems to be the prevailing practice underselling the price of rubbers all over the continent?—A. Yes, sir, I think that is right. However, we understand that there is an investigation under way under the Combines Investigation Act into the rubber situation, and our people feel that notwithstanding that investigation the situation in rubbers should be very largely looked into by this body.

I will come along to the next trade that I want to speak about, the drug trade, and it is an important trade too. The Guernsey Drug Store, of Guernsey, Saskatchewan, have sent in some material here. It is very very clear and well set-up. There are the actual invoices from National Drugs Limited, and all this material here is just as clear as can be and it is in splendid shape.

*By Mr. Sommerville:*

Q. It indicates that nationally advertised lines are being sold at prices below their wholesale cost price?—A. Yes. Here for instance, Absorbine Junior advertised at 83 cents. Independent retailers' wholesale cost is 94 cents.

Q. Loss leaders?—A. Well, they are things that the farmer has to have.

Mr. ILSLEY: The two things these indicate are heavy discounts and loss leaders.

The WITNESS: Here are Dodds Kidney Pills advertised for sale at 28 cents and the retailers cost is 35½ cents. I will just pass that on.



*By Mr. Sommerville:*

Q. That whole file covers that same thing.—A. Well, no, there are some others here. Here is a case. We were talking about advertising allowances a little while ago. This man here—and he is, I think, one of the largest independent operators of drug stores in our Province and he says:—

Regarding unfair practices in connection with the drug business, I beg to call your attention to the following:—

It has been a general practice, which can be definitely proven, for some manufacturers (not all thank goodness) to give the departmental store and also the big chain drug stores special discounts, sometimes called advertising allowances which, of course, are never used for advertising, but which give them a chance to charge it against advertising. This type of merchandise is used, generally, as leads and is advertised and sold by the big stores at prices ranging from 10 to 15 per cent less than it is possible for the smaller individual firms to buy these goods. This is a very common practice, and there are a great many other ways of accomplishing this same thing.

I don't know whether you have ever considered this from the employment angle. The retail sales are down to the point beyond which they cannot go if the individual retailer is to stay in business, unless he resorts to the necessity of taking all his loss out of wages, which simply means this: He must cut his staff to the very minimum and those left working must also, out of necessity, have their salaries reduced till there is scarcely a living wage left to the employee in the retail business.

Eno's Fruit Salts have been sold in this city at approximately 5 cents per bottle less than they can be bought for in any quantity. This is only one of the many items that the departmental stores use to draw people to their stores with a hope of selling them something else to take up the loss and at the same time help to ruin the retail druggist. The Kotex Firm, in my opinion, is the worst offender in our line in Canada. It has on different occasions here set a minimum retail price and after so doing, to my knowledge it has gone to at least one departmental store here, through its representative, and immediately made arrangements with them, we presume through a special discount, to give them a much better buy than we, and in face of the very definite order to stabilize prices among the druggists have persuaded the departmental store to cut the price lower than we could possibly buy the merchandise."

*By Mr. Young:*

Q. Where is that stuff manufactured?—A. Kotex.

Q. Yes.—A. I don't know.

MR. SOMMERVILLE: It is manufactured in Canada.

THE WITNESS: I might say that this man here employs a staff of some 32 or 33 highly paid assistants and runs a good business. I can give you this here but he has asked me to keep his name confidential.

*By Mr. Factor:*

Q. Have you any information of the wages paid to the clerks and graduate druggists that are employed by those chain drug stores?—A. I have not got that but the census department have that information. Now, Mr. Chairman, here are some more, Phillips Milk of Magnesia which is advertised, but as they are all very very clear I will pass them along. Here is a case now of Eno's Fruit Salts; there is a letter here from Harold F. Ritchie, and I think you should read it, it is important.

*By Mr. Sommerville:*

Q. You mean from the Harold F. Ritchie Company?—A. Yes. If this is an honest letter how is it that Liggett's Chain Drug Stores advertised the same article to the consumer on the 19th October, 1933, in the "Star" of Saskatoon at 68 cents, 28 cents less than retailers cost. Either Liggett's dictate to the Eno Company or else a preferential price is freely given. At the same time the manufacturer's agent asks the thousands of independent druggists not to cut price below 89 cents.

I think I might mention this case; it really shows the situation in our Province. Here is a young man, 56 miles from Regina, at Lewvan. I might say, he has the idea of getting married but he is afraid to do so, he does not like to build a house because he does not know whether that part of the country will become worse in a few years time. However, he hopes that as the result of this investigation he will be able to get married.

The CHAIRMAN: We will try and make him happy.

Mr. FACTOR: If we succeed in that it will be one concrete result anyway.

The WITNESS: I have a letter here from North Battleford, from our President Mr. Abbott, and I will just pass this along.

*By Mr. Sommerville:*

Q. All along the same line of selling.—A. He says here:—

The retail merchants of this city feel that the wholesaling of drugs and patent medicines should be confined to the wholesale drug trade, as a means of controlling the sale of poisons, etc."

Here is another from Mr. Forsythe, at Unity, Saskatchewan, just along those lines.

Then I have something here from the jewellers.

The CHAIRMAN: Give us this drug bunch together.

The WITNESS: He just says, that everybody sells his line and he is having a hard time.

Now, in the music dealers, radios and all that stuff, it has been so thoroughly covered I am only going to mention one case, and I am going to file an exhibit. One is from a piano house, and he says in the year 1932 he took a loss of \$40,000, and he points out the loss itself to the Income Tax Department, and he also says in this letter that he attributes that to the departmental stores and their plan of operating. It is also stated here that one of these firms advertised Nordheimer Pianos as low as \$269 retail when his firm, which has been in business there for a quarter of a century, had to pay the wholesale price of \$290 for those same pianos f.o.b. Toronto, not including freight to Saskatoon or government sales tax. I think that is well worth while looking into, gentlemen.

Now, gentlemen, I am not going to say very much about the furniture business here, but I am going to file with you a letter from the Great Western Furniture Company, from Mr. J. W. Hair, who has been many times mayor of our city. His firm is a very responsible and reliable firm, and he says that there are a lot of things that they have to do, are forced to do, things that work hardship on the small retail store throughout the province, all because of the practices of these large corporations. Mr. Hair is a deep thinker and his letter would be well worth reading, if we had the time. But I am going to file it and leave it with you. I would like to mention, however, the practice of Simpsons in going to the different stores throughout our province and making arrangements with them whereby they will sell certain furniture and radios, and goods like that at a percentage. The percentages are here, gentlemen, and it is rather a tragedy. It shows what is going on, but what can these men do, they simply are not getting the business.

*By Mr. Young:*

Q. I don't quite get that, Mr. McQuarrie. Simpsons sell furniture and they appoint local merchants as their agents?—A. Simpsons supply stock for agents to sell on terms of 10 per cent cash and 10 monthly payments without interest or extra charges. The agent sends them the contract of sale and they collect from Regina. In some cases agents can take payments but receive no remuneration for doing so. The agent gets 10 per cent commission on bedding and stoves on the sale price; 15 per cent commission on furniture and washing machines; 20 per cent commission on radios. It averages out about 12½ per cent on sales, except at height of radio season when it will run about 15 per cent. The agent rents store and pays light, taxes, wages, delivery and all expenses incidental to operating a retail store out of his percentage, exclusive of interest on investment in stock or book accounts. If newspaper advertising is used Simpsons pay half.

Q. You say Simpsons does the collecting?—A. Yes.

Q. This man does not take a risk?—A. He just makes the sale.

Q. And Simpsons put in the stock without any payment?—A. Yes.

Q. The merchant has no investment then?—A. He has an investment in his store and business, he pays business tax and everything else like that.

*By Mr. Factor:*

Q. You mean he is Simpsons agent?

*By Mr. Young:*

Q. Simpsons agent, but he has to pay the rent, and so on, although he has no investment in the goods?—A. No.

Q. And has no risk in connection with them; Simpsons buy it, he gets his commission whether Simpson is ever paid for the goods or not?—A. Mr. Young, I don't think I have that information. I am doubtful if he would get all that commission right on the start. However, that shows the tragedy, Mr. Chairman.

Now, in connection with our problem in the automobile business, I am just going to mention two points, that is, batteries. For a 13 plate battery the mail order house sells at \$5.50 according to advertising, and the invoice from a reliable wholesale house is \$6.07.

The second illustration is; the mail order house sells a 4.40 x 21 tire at \$4.45, and the net wholesale price to the dealer is \$5.11.

*By Mr. Young:*

Q. The same quality tires?—A. I believe the same quality tires. It is all advertised here and the wholesale price.

*By Mr. Sommerville:*

Q. You have the advertising and the invoice prices there?—A. Yes, right here, Mr. Sommerville.

The CHAIRMAN: We have the question up from another angle.

The WITNESS: I would like to mention that I have a letter here from K. C. Leith. He is the President of the Saskatchewan Motor Dealers' Association which is part of our organization and he speaks there about the agreement that they have in regard to cars, and he speaks about the contract in so far as fleets are concerned, and the percentages that the automobile dealer has to assume on that; and it is too bad to have to pass it over.

*By Mr. Young:*

Q. Do these big houses handle cars?

Mr. SOMMERVILLE: They handle automobile accessories.



The WITNESS: Yes, that is right. Here is the hardware business. There are a lot of items here in connection with hardware, buckles, malleable cleavices, etc. Here we have the chain store selling malleable cleavices at 11 cents and our cost is 12 cents; a single tree at 14 cents where our single tree cost us  $19\frac{1}{3}$  cents. I heard so much about sweat pads that I have the whole story right here, and I am going to leave it with you.

Mr. SOMMERVILLE: This is the first time we have had sweat pads. We have had sweat shops.

The WITNESS: A sweat pad is something that every farmer uses, and here they are advertised at 39 cents and 38 cents when our costs are around from 46 to  $48\frac{1}{2}$  cents.

*By Mr. Kennedy (Peace River):*

Q. They can hardly be selling those sweat pads at a loss?—A. I think this explains the whole story. Did the T. Eaton Company, knowing of the rise in price, use pressure (by advertising) and morally force the issue with the manufacturer.

*By Mr. Young:*

Q. The price went up, you said?—A. The price went up, yes.

Q. And the T. Eaton Company were still selling at the low price?—A. Yes.

Q. Would it be possible that they had foreseen that and bought in advance?—A. I think what happened here is, they had this advertising, that they purposely printed this advertising here and then said we have got our catalogue out and cannot change that; it runs for 6 months; the sale ends on February 28th, 1934 and they have got to run them through.

*By Mr. Sommerville:*

Q. The suggestion is that they used their power to force the manufacturer to give them the pads at the old price?—A. At the old price.

Q. Although the price to everybody else was a higher price?—A. A higher price.

*By Mr. Young:*

Q. Can you tell me if the sale of these sweat pads has fallen off considerably? What I mean is this, the farmers to-day are in such a shape that they can't buy sweat pads or anything else?—A. They can't buy collars, but they can buy sweat pads. They put a sweat pad on the horse and the old collar might get by.

Mr. EDWARDS: The horse gets thinner.

The WITNESS: I believe that is right, Mr. Young. I would like to make a note of this matter. Mr. Young raised the point about the wholesaler, the manufacturer not selling to the Merchant's Consolidated.

*By Mr. Sommerville:*

Q. I thought you had covered that?—A. Yes, I have. Then in this file, in connection with hardware, there are advertisements and actual invoices, and I would like to particularly mention a letter from Glover Bros., Clarke & Co., and Kapells Limited; and they quoted here eleven items in connection with hardware. They quoted 100 assorted machine and carriage bolts, mail order house \$1.20, our price from jobbers \$1.23. Might I just run over two or three of these: Stuffed sweat pads—we have dealt with that. I will just file that here, so you will easily get at it.

Mr. SOMMERVILLE: That file is complete. Apparently you have gathered a good deal of material.

The CHAIRMAN: We will pass that over to the auditor for checking.

The WITNESS: That is just fine. Electric supplies; we have not got very much on that, but there is something.

*By Mr. Sommerville:*

Q. You have a schedule showing all that?—A. The cost of the large chains; they have shown what is the wholesale price to the retailer, that is shown right through. In connection with builders' supplies and fuel, here is a letter from T. M. Ball Lumber Company of Saskatoon, which is a firm that has done very well. They are having a pretty hard time right now, and there is certain competition that Cushing Bros. feel they suffer from the large stores. I am just going to leave that part. I think, Mr. Chairman, I would like to say here that I have a letter just received since noon from W. D. Dunlop and Co., from Yorktown, in regard to implements, and I think it is very important that something should be done about this. He points out in the letter that every farmer is needing new implements now, and that we should look carefully into the contracts of implement dealers. It is almost unfair for me to leave that, because the implement business, as you all know, is a very important one in our province. He gives the price of binders in 1914 and the price in 1921. He has sent you a copy of this so you will have it here.

*By Mr. Kennedy (Peace River):*

Q. In this case it is retailers?—A. Well, I have not really had time to read that letter.

*By Mr. Factor:*

Q. Does he complain that prices are too high?—A. Well—

The CHAIRMAN: Perhaps that is a subject that might very well be taken up in conjunction with what Mr. Young was speaking of, the question of separate and general study, and that type of thing, and we will note it for that purpose. We are going to have an investigator.

The WITNESS: He just thinks the manufacturers' are the huge prices. You have a copy of this; that is a covering letter to me. Mr. Chairman and gentlemen, I thank you for listening to me in the patient way that you have. I would like to have had a little longer time, in order to have gone into the different items; but we have a tremendous amount of information that will be available to you at any time; and our whole organization, speaking for a great number—I can't speak for them, but I think the feeling among many of our people is that a great number of these retail stores scattered throughout our province have been of immense value to our settlers, and it will be too bad if they are not given a chance. I thank you.

Mr. ILSLEY: I was just going to say, Mr. Chairman, that I think you should thank this witness on behalf of the committee for the definiteness of his evidence. It has been very satisfactory.

The CHAIRMAN: I was just going to do that. I thank you, and congratulate you on the way you gave your evidence, and the very excellent preparation of it in the short time that you have had; and we shall be glad to receive from you from time to time any further information that you wish to submit. Thank you very much.

*By Mr. Young:*

Q. Before you go, I have a question or two I would like to ask you. We have heard quite a bit now about certain practices going on which, if they are at all general, tend to draw business away from the regular channels into the chain stores and department store channels. Can you give us any figures as to

the percentage of decline in general business throughout the province—your province—because of conditions, in the regular retail trade; and the corresponding percentage of increase, if any, in the mail order and department store business?—A. I don't think I could. I ride through your province and see these villages being broken down, and vacant stores, but I have not got the percentages, and I am not very good at those percentages. I have got the general information, but I am a little afraid to quote percentages, because I might be too high or too low, and I don't know.

Q. Can you tell us where we could get that, that would give us an idea of the extent of this?—A. Oh, this story from Yorkton, the story from many of these towns—does it not tell the story? Our president, Mr. Cruickshank, attended a meeting, which I could not attend, at the city of Prince Albert the day before we came away, and the merchants were in from all over. They were taking a hearty and keen interest in this investigation and inquiry, and their story is what I have tried to portray here, that unless some action is taken, some measure of control is taken, that they are pretty well out of the picture.

Q. I see your position; but you see our position. The merchants are in a difficult position indeed, and we are looking for the cause. Everybody knows that part of the cause must be due to economic conditions generally, and part of it perhaps to these conditions that we have had outlined in the evidence these last few days; and we want to be able to judge as to how much of the trouble can be traceable to those causes. We will have to find that out before we can effectively deal with the situation, but I see your difficulty in getting at those figures. You don't know where they can be got?—A. No, I don't think I do. I would like to give that some consideration, and if I can give you some information I will be glad to send it on to the Chairman.

Mr. FACTOR: Would the Bureau of Statistics have any information on it?

The CHAIRMAN: Of course, we are making a study along that line down there at the present time; and after we get a lot more of this evidence, I think we will be able to form a better judgment on these things.

Thank you, Mr. McQuarrie, very much indeed.

The witness was discharged.

The CHAIRMAN: It is a little late this afternoon to call the representatives from Alberta, but there is a very brief statement here from Prince Edward Island, which was sent in by mail. Perhaps we could have that read and dispose of that.

Mr. SOMMERVILLE: It is a brief from Charlottetown, P.E.I., dated March 5, 1934:—

To the Chairman and Members of a  
Special Committee of the House of  
Commons appointed to enquire  
into mass buying and distributing  
methods in Canada.

GENTLEMEN,—As members of a Committee of the Charlottetown Board of Trade appointed for the purpose, we beg respectfully to reply to a request of the Hon. H. H. Stevens that the retail trade of the Province should survey for your information mass merchandising practice and its effect upon individual retailers and community life and consumers in Prince Edward Island.

Of the nine Provinces of Canada, probably none has suffered equally with Prince Edward Island from the encroachment by the mail order houses and chain stores upon established business.

A generation ago the country merchants of the Island consisted largely of men of substance, highly esteemed in their several localities. They were



not simply suppliers of the day to day requirements of the farmers and fishermen in their immediate districts, but they afforded to their customers a steady market for their products, largely upon a barter or contra account basis. They also acted to a considerable extent as bankers, assisting those with whom they dealt to tide over their slack seasons.

To-day—very largely as a result of the undermining of their businesses through the competition of extra-Provincial mail order houses—this whole class has almost entirely disappeared, and the small town trade is being done by storekeepers who are to-day actually struggling for an existence. As proof of this fact, we cite the following figures taken from a recent report of The Canadian Credit Men's Trust Association, Limited:—

There are in the province of Prince Edward Island 1,140 retail dealers, whose estimated capital is as follows:—

562 having no capital and without any credit standing.

213 having a capital of less than \$500.

38 having a capital of less than \$1,000.

81 having a capital of less than \$2,000.

86 having a capital of less than \$3,000.

70 having a capital of less than \$5,000.

46 having a capital of less than \$10,000.

\*44 having no capital in excess of \$10,000.

\* N.B.—The latter class are doing business almost entirely in the two cities, Charlottetown and Summerside.

It is the general opinion of the wholesale dealers of Charlottetown, by whom most of the credit is being extended to the country general storekeepers, that, unless protection of some nature is afforded to the latter without delay, a large proportion of them will be compelled to close their doors—many of them as insolvents.

Under conditions such as the above, it goes without saying that those engaged in wholesaling are not only experiencing a heavy shrinkage in the volume of their sales, but are each year finding the granting of credit without serious losses more and more difficult. Already three of Charlottetown's reliable and well established wholesale grocery houses have closed their doors, and the fear of a complete elimination of the wholesale grocery business is being openly expressed by leaders in the trade, while in dry goods two out of three combined wholesale and retail houses have already withdrawn from the wholesale business.

Until fairly recently, the outside competition to the retail stores came only from the mail order houses, but in the last few years five chain and branch stores have opened up in Charlottetown, while two more are coming to the Island in a few weeks. If this plan is extended to the smaller towns there can be but one result, viz: the collapse of both the wholesale and retail trade of the Island.

The reasons for the inability of the local retailers to meet the competition of the mail order houses and chain stores are of course well known to your Committee. Buying in very large quantities, these wealthy organizations obtain prices from the manufacturers materially below those quoted by the same manufacturers to the retail dealers, and frequently even lower than to the wholesale trade. In addition, they transport their goods in carload lots at much lower freight costs.

The prices quoted by the mail order houses and chain stores to the consumers—on this Island chiefly farmers and fishermen—are, on nationally known brands, lower than are offered in the general stores. At first sight, these lower prices may appear to be an advantage to the consuming classes, who, however, it must be remembered are also producers, and as such are keenly interested in the raising of commodity prices to a higher level.

It not infrequently happens that the chain stores sell food supplies, bought from other Provinces, or imported from abroad, at prices considerably lower than those offered for such goods (in the local markets) by the farmers and fishermen themselves. This results in an immediate reduction in price all over the Island—a very serious matter in the case of goods such as butter, ham, bacon, meat, cheese, vegetables, etc.

There are also other important handicaps in store for the farmers and fishermen of the Island if, as a result of the unequal competition from these outside institutions, the retail dealers are forced out of business, and with them the city wholesalers and many other institutions in Charlottetown and Summerside.

Not only would the country people lose the advantage of buying upon credit—an important factor, particularly during the winter months—but there is a wide range of goods kept for their convenience by the general stores that would not appeal to the chain storekeeper, because of the smaller demand. They would also be deprived of the exceedingly valuable co-operation of the city and town people in all such important matters as the maintenance of churches, schools, colleges, hospitals, hotels, newspapers, places of amusement, the employment of their young people, while many other advantages obtainable only on a collective basis would be weakened, including a central Government, the administration of justice, the policing of the Island, the maintenance of the highways, etc. The old idea of selling in the dearest market and buying in the cheapest will quite evidently act as a boomerang under modern mass producing and mass buying methods. Rather should the motto prevail of "Live and let live."

A feature from which the Province suffers is that it obtains none of the advantages that accrue to the central Provinces in the distribution of the pay rolls incidental to the manufacturing and distributing of the goods shipped to this Island by the mail order and chain store organizations, nor does it seem to be fair that the multi-millionaire institutions of Toronto and Montreal should be allowed to make use, at the lowest possible cost, of the Nationally-owned Post Office system, without which it scarcely would be possible for them to ply their injurious trade.

A point of no small importance is that, as each individual wholesale or retail firm is forced out of business, the Provincial and Municipal Governments of the Island are deprived of the taxes that would otherwise be paid to them, while the mail order houses contribute no taxes locally and the chain stores pay very small sums in proportion to the large volume of business that they obtain from the Island consumers.

In the matter of employment and salaries paid, there is no comparison at all between those of the country and city retail stores and the chain stores, where the customers serve themselves, carry away their goods, and are attended to by a few underpaid clerks.

This matter has been discussed at several meetings of the Charlottetown Board of Trade, and has been given intensive consideration by this committee, the members of which are a unit in regarding the situation as not only serious, but even alarming in its possibilities for the destruction of the established trade of the Island.

In this connection, we quote as follows from the special report of the Sub-Committee of Wholesale Grocers, which sub-committee represents the most important mercantile interests of the Province:—

We take it for granted that there is no question as to the importance of the service given by the wholesale grocers of this province. They have for many years formed the connecting link between the manufacturer and the retailer. Carrying large stocks of the many and varied



lines, and distributing same to the retail trade throughout the province, they have made it possible for the retailer to buy in lots to suit his needs, with prompt delivery and at a minimum cost for freight and handling.

Another service provided by the wholesale grocers has been the business carried on by them of produce shipping. For many years a large part of the farm produce of the province has passed through their hands. They take all kinds of goods from the retail merchants, forwarding them to the various markets and thereby giving a service that has been of great value to the community.

In substantiation of the contentions of the wholesale and retail grocers of the unfair competition of the chain stores, we tabulate below the prices advertised by the "Canadian Stores Limited" in the Charlottetown Guardian, with the corresponding costs to the independent retailer.

		Cost to independent retailer
April 28, 1933,	Lynn Valley pears, 9c. per tin.....	\$1.30 per doz.
May 5, "	Sun Flower Salmon, tall tins, 8c.....	1.20 "
May 5, "	Singapore Pineapple No. 2 tins, 3 for 25c....	1.07½ "
May 19, "	Quaker cornflakes, 2 pkg., 15c.....	.96½ "
June 2, "	H.P. sauce, 27c. bottle.....	3.25 "
July 7, "	Marven's waxtite sodas, 2 for 25c.....	1.50 "
July 14, "	Shredded wheat, 2 pkg. for 21c.....	1.26½ "
Aug. 11, "	Surprise soap, 10 for 37c.....	4.30 per cases, 100 cakes
Aug. 11, "	2-1 black shoe polish, 9c. tin.....	1.25 per doz.
Sept. 1, "	Lynn valley peaches, 2 for 25c.....	1.90 "
Oct. 6, "	Catelli Macaroni, 9c. pkg.....	1.06 "
Oct. 13, "	Carnation milk, talls, 2 tins, 17c.....	1.07½ "
Oct. 13, "	P. & G. soap, 10 for 31c.....	3.25 "
Oct. 13, "	Island pork and beans, 3 for 25c.....	.95 "
Oct. 27, "	Kellogg's cornflakes, 3 for 25c.....	.96½ "
Nov. 10, "	Citron peel, 27c. per lb.....	.27 per lb.
Nov. 10, "	Lemon peel, 18c. per lb.....	.18 "
Jan. 19, 1934,	Sliced bacon, 21c. per lb.....	.21 "
Jan. 25, "	Small prunes, 3 lbs. for 25c.....	.08½ "
Jan. 25, "	Singapore pineapple, 2 for 19c.....	1.17½ per doz.
Jan. 25, "	Pears, 2 tins for 19c.....	1.20 "

In addition to the above, on September 22, 1934, the Canadian stores advertised sani-flush 1 lb. 4 oz. tins, 27c. each. So far as we are aware, sani-flush in this size is not available to the independent dealer. Local wholesalers sell a 1 lb. 6 oz. tin at \$3.50 per dozen. The general public are apparently not aware of this discrepancy in weight, and practices such as this are unfair alike to the retail dealer and to the public.

Among many other prices advertised by the chain stores, we mention the following:—

	Chain store price	Cost to retailer
Marmalade.....	.29	.28
Strawberry and other jams.....	.29	.38
Canned pears.....	2 for .19	\$1.25 per doz
Canned pineapple.....	2 for .19	1.25 per doz.
Sunlight soap.....	5 for .25	.5½
Surprise soap.....	10 for .39	.60 per doz.
Lard per lb.....	2 for .25	.11½

The above could be added to extensively in all kinds of canned, bottled and boxed goods.

In the drug and patent medicine line, great complaint is made of unscrupulous price cutting. The line is too extensive to quote in detail, but as an example we cite the following:—

	Chain store price	Cost to retail trade
Lydia Pinkham Compound.....	.98 per bottle	\$12.75 per doz.



In drug sundries, and particularly in rubber goods, the mail order houses and chain stores quote many lines at prices considerably below the cost to the retailers. A similar complaint is made by boot and shoe dealers regarding rubber footwear, and the footwear sub-committee report as follows:—

The seven rubber factories in Canada manufacturing rubber footwear meet once a year and sometimes oftener and agree on a sale for all their lines to the regular retail trade. They also make a price for the mail order houses and chain stores, to whom last year they gave a special discount of 12 per cent. Although the mail order houses and chain stores sell only about 20 per cent of the rubber footwear in Canada, a preference of 12 per cent is obtained by them over the other merchants, large and small, who distribute 80 per cent of the rubber footwear. After receiving this special preference, they open branch stores and sell the same line of goods at a mark-up of 15 per cent, or less over the price that the regular trade are compelled to pay. In proof of this, we attach a list of prices quoted by the T. Eaton company in their catalogue 1934 on 16 staple lines of rubber footwear taken at random, which actually shows 13½ per cent of mark-up over the price the regular merchant is compelled to pay. The overhead expenses of the average shoe store in Canada, statistics show, is from 22 to 25 per cent. In other words, the regular retail merchants who handle 80 per cent or about \$12,000,000 worth annually, in order to compete, must take a loss of from 7 per cent to 10 per cent.

It is a well known fact that the mail order houses and chain stores are to-day dictating to the manufacturers the price at which they are to be charged for the goods they buy. In addition to the above, we have received reports from the dry goods and hardware trades, in which serious complaints are made, but we believe, in view of the facts already given, that further citations will not be regarded as necessary, particularly as the delegates from the other provinces will no doubt supply your committee with full information.

We, however, append the report of the wholesale grocers in full, and would specially request that same be studied with care, as it depicts a condition of vital interest to the future of this province.

In the matter of a remedy for the several troubles complained of, the following suggestions are offered for your consideration:—

1. That a Canadian trade commission be appointed with wide powers over all trade matters similar to those held by the railway commission. This commission would have the right to set prices on all nationally advertised goods. They would also have the right to compel manufacturers to class as nationally advertised such goods as they might deem to be of a similar character to those already priced by the commission. The commission would also have the right to order rebates to wholesalers and retailers upon goods purchased within a given period and unsold at the time at which the prices had been reduced.

N.B. In the event of the provinces contending that, under the B.N.A. Act, the Dominion parliament has not the right to grant the necessary powers to a trade directing commission, a compromise might be arranged by allowing the provinces to appoint a majority of the members of the commission.

2. That laws be enacted making it compulsory upon all manufacturers to supply their goods at the same prices to all buyers in the retail trade and at stated discounts to the wholesale trade, no preference being given for large quantity orders; chain stores and mail order houses, selling to the consumer, being classed as retailers.

3. That retailers or chain store owners, selling by mail order or otherwise, be subjected to a sales tax upon all goods shipped beyond the confines of their own province, 50 per cent of the said tax to be paid by the federal government to the governments of the several provinces into which the shipments are made.

4. That all goods made in quantity by a manufacturer shall be marked with a trade name or trade mark, registered in the patent office, Ottawa.

5. That on all goods nationally advertised, a price to the consumer shall be named, no retailer to be allowed to advertise or sell such goods to the public at lower figures, special provision being made for the disposal at reduced prices of faulty or imperfect goods and articles found to be unsaleable after a stated period of time.

6. That retailers who manufacture goods in quantity shall apply to the trade commission for selling prices of all lines so made.

7. That all presently established manufacturers, wholesalers, and retailers be licensed, and that in future, before licences shall be granted to individuals or limited companies proposing to embark upon new enterprises, a recommendation shall be obtained from a constitutionally appointed provincial board, representing the particular industry into which the applicant proposes to enter, and that before said recommendation shall be issued the board shall satisfy itself of the bona fides of the application, also as to the applicant's character, ability, experience, and his possession of the required capital.

8. That an Anti-Secret Commissions Act, also a P.A.T.A. Act, similar to those in force in Great Britain, be placed upon the Canadian statute books.

The above respectfully submitted.

*Committee of the Charlottetown Board of Trade appointed to consider and report upon chain stores and mail order houses.*

H. K. S. HEMMING,  
*Chairman.*

S. A. McDONALD,  
J. S. HOWATT,  
R. E. MUTCH,  
R. T. HOLMAN,  
B. W. LEPAGE,  
A. L. WRIGHT,  
E. S. COFFIN.

CHARLOTTETOWN, P.E.I., March 5, 1934.

Attached to it is the report of the grocery section, many features of which have been incorporated in the report I just read. The agricultural committee report is as follows: Chain stores adversely affect values of agricultural products.

The practice of mass buying and selling of farm products through chain stores has not been in the interests of the farmer. It is customary, when prices are low, to arrange for the purchase of large quantities which are used in the stores as leaders, and oftentimes potatoes have been put on the market at a price less or not more than the cost. This naturally has a disturbing effect on the whole market. The same principle is used along many lines, and the regular wholesaler or broker, as well as the retailer, has not the security that normal business conditions should warrant, and is, therefore, unable to pay the prices the farmer would otherwise receive.

The butter industry is adversely affected when large concerns undertake to import butter from New Zealand when, at the same time, there is a sufficient quantity of this product in the Dominion to supply its requirements. The imported butter is bought and sold at such a low price that the Canadian producer is obliged to accept less than his cost of production.

Chain stores make a daily or weekly endeavour to place on the market some leading staples at a price below that at which the commodity should sell considering its cost, and also to arrive at such a low price by a means that does

not help the particular industry their "leaders" may represent, particularly where there is more than one line of chain stores doing business in the same town or city. As an example, selling heavy hams at a material price reduction under the prevailing price of hams of desirable weight by advertising hams at 12 cents when the price of small sized hams was not less than 18 cents. When the customer calls, he is advised he will have to take half of a heavy ham, which, anyone knows, has neither the texture nor quality of the ham of desired weight. The tendency is naturally to pull down or depress pork prices. It is also a common practice for householders to take the advertisements of these different chain stores, pick out the leaders from each, and then secure their week's supply by purchasing their butter and potatoes at one store, their eggs and meat at another store, and so on until their requirements are satisfied. It is not difficult to see how this practice, carried on so generally by chain stores, provides a measure of instability in the market and reacts to the detriment of the primary producer.

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The CHAIRMAN: Our witnesses next Wednesday will be representatives of Quebec, Alberta and British Columbia Retail Merchants Associations.

The committee adjourned at 6.05 to meet Wednesday, March 14, at 11 a.m.



HOUSE OF COMMONS, ROOM 368,

March 14, 1934.

The special committee appointed to inquire into price spreads and mass buying met at 11 o'clock a.m., the Hon. H. H. Stevens presiding.

Mr. Norman Sommerville, K.C., of Toronto, Mr. W. W. Parry, K.C., of Toronto, appeared as counsel for the committee.

The CHAIRMAN: Gentlemen, we have the minutes for the last meeting. They merely recite the filing of a number of exhibits and the names of witnesses who gave evidence. I will declare the minutes approved unless there is some question.

Now, here is a letter which I do not think it is necessary to read. It is quite a lengthy letter from Mr. Tom Moore in which he points out several inaccuracies in the report of his evidence. The letter has been checked over and I understand there are no material changes made, rather largely matters of nomenclature. It is suggested that the following resolution might be passed: "That the evidence given by Mr. Moore at the outset of the committee on March 1st be amended in accordance with the corrections indicated in Mr. Moore's letter addressed to the chairman of the committee on March 9th."

Mr. KENNEDY (*Peace River*): I will move it, and we will have the changes inserted.

The CHAIRMAN: Inserted in the minutes. They will be inserted in the minutes. There are a lot of small changes—really mistakes in the pronunciation of names. I have also a letter from the editor of debates in relation to this matter.

Carried.

Mr. FACTOR: Have you received a report in connection with coal?

The CHAIRMAN: I have taken that matter up again, Mr. Factor. I could tell you what I think is the matter, but I think we had better have an executive meeting.

Mr. SENN: Have you any information about when Dr. Coats and his committee will report?

The CHAIRMAN: I did expect possibly that we might have a little detailed information here this morning, but I find it is not here. Dr. Coats and those associated with him are making some very real progress in their study of the general subject, and we will discuss that to-morrow. To-morrow afternoon, if we can arrange it, we will have an executive meeting.

Mr. SENN: It seems to me that the tobacco matter should be looked into as soon as possible. There is a real demand throughout western Ontario for an investigation.

The CHAIRMAN: Of the tobacco business? That is certainly in contemplation.

Mr. FACTOR: I moved to have the report filed.

The CHAIRMAN: Yes. Now, gentlemen, the first witness to-day is Mr. Alexander MacKay of the Retail Merchants' Association of Alberta. He is secretary of the Alberta Provincial Board of that body for Canada. He will now come forward.

ALEXANDER C. MACKAY, called and sworn.

The CHAIRMAN: Before Mr. MacKay gives his evidence I would like to urge upon him and other witnesses, as far as they reasonably and possibly can to confine their statements to questions of personal knowledge or to statements supported by evidence, and to refrain from merely expressing opinions, and most particularly so when referring to any business concern; and, furthermore, that the names of business concerns ought not to be mentioned in connection with any statement unless the statement is made from personal knowledge or can be supported by evidence. If the witnesses will try to follow that general line it will help us materially in the committee, as we desire to be fair to everyone concerned.

*By Mr. Parry:*

Q. Whom do you represent, Mr. MacKay?—A. The Retail Merchants' Association of the province of Alberta.

Q. And your association is identified with all divisions of the retail trade in the province?—A. Yes.

Q. You desire to make representations to this committee?—A. I do.

Q. Just proceed, please?—A. Mr. Chairman, I appreciate very much the remarks which you have just made, and I will endeavour to the best of my ability to carry those suggestions out as I go along. It should be borne in mind, however, that there is a similarity in the conditions existing in each of the provinces of Canada, evidently, from the evidence which you have had the privilege of listening to, and we cannot very well bring before you gentlemen or to your attention our problem without just encroaching a little on maybe some problem that you have had already brought to your attention. There are one or two matters I would like briefly to touch on before I deal with this brief which I have. I do not know, Mr. Chairman, whether the gentlemen who are on this committee are acquainted with the fact, but when you consider the number of people who are obtaining their living from manufacturing, wholesaling and retailing—when these figures are compared with those that are in the agricultural bulletin I think that we have very reasonable ground for coming before you and bringing to your attention some of the problems which we have to contend with and which to-day are such that it is almost a hopeless fight insofar as the independent merchant is concerned.

Under the heading of agriculture—and this is taken from the Canada Year Book, 1933—1,127,767 people, male and female, are employed in agriculture; insofar as retailing, wholesaling and manufacturing are concerned we have 1,018,082. So the discrepancy is not so very great when you consider them in that character.

Mr. SENN: Does that represent actual workers?

The WITNESS: That represents actual workers.

Mr. FACTOR: Where is that taken from?

The WITNESS: From the Canada Year Book, 1933. There is a possibility that indirectly—I do not know whether the people living in the cities might be fortunate in having larger families than the people living in the country—if that should be so probably those that are indirectly deriving their livelihood from manufacturing and retailing and wholesaling, might be almost in a similar position to those who are occupied on the land.

Now, with that in mind, Mr. Chairman, it seems to me and to the association which I have the privilege of representing that the day has arrived when a little greater consideration should be given to those people who are not farmers but who in the past and up until the present time have done probably more for the farmer than any other group.

*By Mr. Young:*

Q. You mean the 1,018,000?—A. Yes.

Q. And they are all entitled to more consideration?—A. No, not more; I say as much. I say we have reached the time now when we should be given some consideration. My reason for saying so is this: in our province alone—I do not know what the figures are in other provinces—during the depressed conditions which have existed for the last two or three years, our merchants—and this is outside of the two larger cities of the province, Calgary and Edmonton—as the result of a questionnaire which we sent out from our office we find that the merchants—and I think the gentleman at the end of the table referred to the question of the rural retailer as compared to the city merchant—we have on the books of the retailers of our province over forty millions of dollars.

The CHAIRMAN: Outside of the two cities?

The WITNESS: Outside of the two larger cities.

Mr. FACTOR: Do you mean outstanding?

The WITNESS: Outstanding. Slightly over \$40,000,000. You gentlemen are quite well aware of the necessity which has developed insofar as our provincial governments are concerned in order to protect those people who have been victims of circumstances to the extent that the farmer to-day is not getting a sufficient amount from what he produces to show any profit whatsoever with the result that when the banks have been compelled to close down on the credit to the farmers and when no others were prepared to come to his support, the only individuals that had any compassion and sympathy was the retailer. And we have evidence in our province to prove very very conclusively that if it had not been for the merchants in that province Mr. Farmer would have been in a very much worse state than he is to-day—at least to the extent of forty odd million dollars.

*By Mr. Edwards:*

Q. That has to some extent backed up on the jobber and manufacturer; the manufacturer and jobber would be carrying the retailer?—A. Yes, in a proportionate amount, but not so much, or not to the same extent. The retailer has been the individual who has carried the burden. To-day our wholesalers and manufacturers have most of these retailers on what you have heard of as the C.O.D. list. He pays as he goes. But that does not help him to collect any of the money which has been outstanding for a year or two.

*By Mr. Senn:*

Q. I gathered from your remark a moment ago that you are of the opinion that practically all of that amount was owing by agriculture; is that correct?—A. Yes, almost entirely. We have left out the cities of Calgary and Edmonton, and what small proportion of that would be attributable to Medicine Hat and Lethbridge would be so small it would not make any difference. This has been taken—

*By Mr. Parry:*

Q. Is that made up from a fairly complete analysis?—A. I have a questionnaire I sent out to 6,000 retailers, and I have supplied that evidence to the provincial legislature, and as a result of that, Mr. Chairman, we were able to



get what is known as part 2 of the Debt Adjustment Act, which gives some consideration to the position of the retailer, and through the offices of our association for the last 18 months I think it is safe to say we have saved about 100 to 150 retailers from being forced into liquidation because of the attitude of some of our manufacturers in eastern Canada who were not familiar with the conditions which applied in the far west.

*By Mr. Edwards:*

Q. But who were made familiar by reason of the banks?—A. Yes, I would like to hope so.

*By Mr. Factor:*

Q. Is this amount still outstanding?—A. Yes, it is still outstanding and has been added to since we took that last survey, because of the fact that the merchants—I would like this committee to visualize for a moment—I do not know how many of you are merchants—if any of you are, and if you are living in the same community with a farmer, and he has paid his way when times were normal, and he comes into your store and he tells you he has got to be carried for a certain length of time, and he would like you to come to his assistance. If he was only one, it would be all right, but he is just one of a great many. Now, you may be a member of the same lodge, your children may go to the same school, or a farmer happens to be living close to the community. You are good fellows, you know each other fairly well. When Mr. Farmer comes into your store and asks you to carry him for a week or a month, as the case may be, you find it hard to say no.

*By Mr. Heaps:*

Q. How many accounts do those \$40,000,000 represent?—A. How many accounts? Well, it refers to and represents the accounts on the books of between 5,000 and 6,000 retailers.

Q. I am not speaking of the number of retailers. I want to know the number of individual accounts.—A. I did not go that far. I was not interested in the number of accounts. What I was interested in was the money outstanding, and the questionnaire which I sent to these merchants was along that line, and that is what we received. We received an estimate that is a complete record of their books. That is what we asked for.

Q. For how long a period do those \$40,000,000 go back?—A. That would go back probably—you know the statute of limitations takes care of certain accounts when it reaches a certain time. When it reaches a certain time it is written off. I think it is six years, so it could not go back beyond that because automatically all accounts become null and void after a six-year period.

Mr. PARRY: That is a general statement.

The WITNESS: That is a general statement.

*By Mr. Kennedy (Winnipeg):*

Q. As a matter of practice, do they write them off?—A. They have no alternative.

Q. Yes, they have?—A. If they cannot collect them?

Q. It is only barred if the debtor wants to insist on that right. There are old accounts running over six years that are paid all the time?—A. Well, it depends on the debtor.

*By Mr. Young:*

Q. Do not they take notes on the account before it becomes outlawed?—A. In some cases yes; in some cases no.

*By Mr. Kennedy (Winnipeg):*

Q. A payment on account would renew it for another six years?—A. Yes, or an acceptance of the amount outstanding renews it for another six years.

Q. Most of these farmers' accounts would have something paid on them in six years? It would be a rare one that would not have it?—A. That may be so here, but it is not so in western Canada. We have a number of accounts that the statute of limitations takes care of.

*By Mr. Parry:*

Q. A number of farmers could have carried their own burdens up until a short time ago?—A. Yes, no doubt. I do not mean to infer, Mr. Chairman, that the farmers are not trying to liquidate their obligations; but I do say the conditions that exist have made it impossible for them to do so. All that our farmers are able to do in the province of Alberta is just get by. In the last two months I think I have visited almost every town in our province—

*By the Chairman:*

Q. Your contention is the retailers have carried the burden?—A. Have carried the burden.

Q. Let us get along then, with your statement?—A. With those preliminary remarks, I should like to deal with this brief, and I just want to say that the Alberta provincial board of the Retail Merchants' Association of Canada appreciate this opportunity of presenting to your committee the following memorandum. The information which it furnishes has been obtained as a result of many personal interviews with independent merchants throughout our province, in addition to which approximately forty retail trade section meetings have been held during the past month.

This memorandum has therefore been prepared for submission concerning the unsound, unethical and ruinous practices relating to merchandising and retail distribution of commodities and which, in the opinion of the merchants of Alberta, call for immediate control and remedies, not only in the province of Alberta but throughout the whole Dominion of Canada.

The independent retail merchant to-day realizes that policies and forces are at work throughout Canada which, if allowed to continue, mean his ultimate elimination as a distributor of merchandise to the consumer. To be able to remain in business and operate on a successful basis, it is imperative that the independent merchant must be able to so purchase his merchandise that same can be sold to the public at a price which will not only cover his cost of operation but will assure him a fair return for services rendered and for his investment.

In the event that the corporation chains, the large departmental stores and the mail order institutions are permitted to continue to command special purchasing facilities from manufacturers, and if such facilities are not available to the independent retailer, then indeed his business days are numbered, as it is utterly impossible for him to compete with the firms which now enjoy special privileges in buying.

Evidence already submitted to your committee would indicate that not only are the policies of such companies and corporations unfair to the great many independent merchants throughout Canada, but are injurious to the wage earners, the farmer producers and to the state itself.

From the point of view of the state it becomes a question of the very greatest importance to determine in advance the underlying processes and whether they and their outcome are beneficial or pernicious. It is submitted that they are pernicious and destructive of the state.



Granting the whole system of retail distribution should remain on a highly competitive basis, it still is true that unfair, unethical and fraudulent competition may be and positively is destructive of the whole system, and if such practices as are charged are allowed to continue unchecked, it may well be, and it is so argued, that the state as a whole will become involved, the system of distribution will break down and the standard of living throughout the country will definitely fall from its present level.

It is very plain to be seen, and world expansion of the last few years has made the conclusion inescapable, that the modern system of production and distribution cannot long survive unless ample means of purchase constantly reach the hands of the consumer. The consumers are largely the workers in production and in distribution. If unjust, unethical or fraudulent practices are constantly cutting down wages and reducing the value of our farm products they automatically are forcing out of business employers of labour such as manufacturers and retail merchants. These practices are, in the opinion of this association, interfering definitely with purchasing power reaching the hands of the consumer.

Fair distribution of purchasing power in the hands of many people is the initial driving force in the modern industrial system. That and that alone creates the widespread demand which causes all industrial, commercial and other business activities to speed up. It follows that all forces which tend to cut down purchasing power in the hands of the many have a distinct tendency to slow up, as indeed they would ultimately stop, if carried to the limit, the whole system.

Large or mass production at reduced cost, and with a smaller number of workers, means inevitably smaller purchasing power in the hands of the many. Carried to its apparently approaching conclusion it means plenty of goods of all kinds on the one hand and on the other, people in great numbers needy and in want, without any means of bringing about the necessary distribution.

That, it is submitted, appears to be the lee shore on which the modern state is likely to wreck itself unless some real remedies are immediately applied. Chief among the necessary remedies are those which will check if not altogether eliminate, all forces which tend to improperly interfere with or stop the distribution of purchasing power among the people at large. The independent retail merchant is vitally concerned in finding out what those remedies should be, and in having them applied. He is the last link in the chain of distributing agencies which carry all merchandise to the ultimate consumer, and it naturally follows that the merchant is the first to experience the terrifying effect of shortage of purchasing power in the hands of the consuming public.

With the foregoing background in mind it is not difficult to understand how many of the present unfair practices of departmental and chain store organizations are endangering the whole structure of our retail distribution system, and are tending to lower the standard of living of our people throughout Canada. An examination of some of these practices will serve to show the evil of same, and in that connection perhaps the most sinister practice complained of is that of selling to the public goods at or below the recognized cost price, or at a price which does not include a reasonable amount of compensation for handling.

The practice of mass buying and underselling is now indulged in to such an extent that it has become positively destructive of the independent merchants' business, and is followed by the departmental and chain stores largely with that object in view. Its unfair and evil influence goes far beyond the sale of the particular goods.

I would like to say at this point it has been my unfortunate experience to stand behind a counter and a lady has come in to my store and she has asked for a certain commodity. I have endeavoured to service that customer, and



brought the goods to the counter. The next question is the price. When I mentioned the price, the lady looked at me and says, "Now, Mr. MacKay, I have been a customer of yours for some time. Why is it you have to charge me this, which is more than I can buy that same article for at a certain store," naming a certain store in the vicinity. I want to say, gentlemen, if I was to spend half a day trying to explain to the lady that I was not getting any more than a fair profit to cover the cost of operation and pay my help, and so on, if I was to spend half a day, I could never convince that lady that the store that she mentioned might be making a fair profit, and I was just asking that. Gentlemen, I think it is a tragedy that a man has to stand that from the public. It places the merchant in a position of being either a profiteer or a dishonest man, and surely our laws are such that we can look for protection from practices of that kind. I say gentlemen, that apart from the many other features of this business, of the position that the merchant is placed in, he is placed there by the public. It is not only detrimental to his best interest as a merchant or one trying to serve the public, but I think it goes beyond that; and he is being accused of a crime that he is not guilty of.

*By Mr. Young:*

Q. What explanation do you make to them?—A. What explanation?

Q. Yes.—A. Because of this situation?

Q. When that woman comes into your shop and asks you the reason for this difference in price?—A. Well, I would like to ask you what explanation you could make. You would do exactly as I have done on many occasions. I have tried to prove that I was trying to serve her; also I have shown her my invoices. I have said, "There is the cost of the goods." Let me give you one instance.

*By Mr. Factor:*

Q. What Mr. Young asks is, what reason did you assign to the fact that the departmental store was able to sell cheaper than you, to the customer?—A. Well because of the privileges which the system under which we operate allows him to indulge in, that they do not allow me to indulge in. The manufacturer of the product of the chain store or the departmental store is placed in the position where he sees a certain volume of business, and he knows his cheques are coming along. He does not have to take a chance, and because of the fact that the mass buyer says to the manufacturer, this is what I want, and the manufacturer has no choice. So he gets into the same position as I was in, and the chain store and departmental store are sitting pretty. They are able to undersell those who are trying to serve the public honestly.

*By Mr. Young:*

Q. They have the advantage of big orders, and pay cash, is that the idea?—A. Yes. I would like to say just at this point that before I left to come down here, I had an interview with certain gentlemen in the city of Calgary, and I have no brief for the packers, I am not here representing the packing industry or anything pertaining to them, but I think this committee have the opportunity right now to make an investigation which will prove a great many things that you don't know. You take the packer; it is one of his problems, and this can be verified—I will give you the name of the packer if you want me to, and if you want to get his statement you can have it, because I was privileged by him to come here and lay the matter before you—when a national organization such as a chain store or departmental store goes to some packer, and you know the packer's prices are based on the current values as they apply in the different centres of the dominion, according to the price of farm products such as wheat.

cattle, hogs et cetera, Mr. Packer, if he is negotiating—or rather the department store or chain store, if they are negotiating with the packer to get some idea whether or not they can continue to do business with that packer for the balance of the year, after they have made an arrangement with the company at that time, they say, “Mr. Packer, how much will you give a cheque for at the end of the year on a volume basis; what percentage is this firm prepared to give our company on a volume basis?”

*By Mr. Factor:*

Q. You mean a rebate?—A. I mean a rebate, yes; and in some cases Mr. Packer who refuses to recognize them gets no business from this national organization. These cheques are not usually in hundreds of dollars either. Now, Mr. Chairman, I will give you the name of the packer and you can prove that.

The CHAIRMAN: Yes, we will have that.

*By Mr. Parry:*

Q. These cheques, you say, pass through in the normal course of business of the packer?—A. Yes. It is so that a packer has to do that, that it comes to a question whether or not he is prepared to go so far, or go as far as the large institutions want him to go in order to get their business. In other words, he is compelled to pay the premium for the privilege of doing business. What happens is that the independent retail company doing business with that same packer naturally is an easy mark. The packer says, “If I have to give so and so on this man’s order, I can get a portion of it back by charging these fellows a little more than that man is charged.”

*By Mr. Edwards:*

Q. Is that a fair assumption? Is it not quite the custom in any business that volume plays a considerable part in price, volume over a given period, say a year, no matter what it is?—A. Yes. In our business we have a disease known as volumitis.

Q. We have had evidence here where we had co-operatives organized for that particular purpose, for volume buying?—A. I would like to say that we as an organization, and I represent the independent merchants, have no kick with what the chain store or departmental store gets in their volume buying. I have nothing whatsoever to offer in the way of criticism here; if a man wants to invest \$10,000 in a rising market in merchandise, rather than in stocks or bonds or anything else, he is, in my opinion, privileged to take advantage of it and I say he is entitled to what the market will give him.

*By Mr. Factor:*

Q. That is not the point that Mr. Edwards raises. Mr. Edwards says if a man doing business with a large firm and buys say 10,000 units, he will expect to get a much cheaper price than the man buying 100?—A. Yes, I take that for granted. I say he is entitled to that.

*By Mr. Edwards:*

Q. That is my point. Another point there: where you speak about the independent retailer, has not the casualty list from western Canada been pretty severe over the last five years; I mean, failures have been very large?—A. Yes.

Q. And as a result, have losses not been very great to the man who was merchandising, either the manufacturer or jobber; their losses have been very severe?—A. Very severe.

Q. Is not that taken into account when he turns to these large distributing people?—A. I don’t know whether I just get you. You mean the creditors of an institution that is forced into liquidation, that he has taken losses?



Q. I mean the losses have been so severe on manufacturers and upon jobbers, that that has had the effect of turning them to the larger channels of trade whereas you say it gets there naturally?—A. You would not think that was the experience they would have. You would think they would try to get away from continually losing money, and try to make a little money instead of handing it out.

Q. That is the very point I am asking?—A. That seems to me is the situation.

Q. I don't think we understand each other. I say this, assuming that a manufacturing concern, for instance, in eastern Canada, sends its traveller out to the west and he contacts a lot of accounts with small merchandisers, small stores, out of that lot of accounts he has a lot of losses during the year. The result is, it is pretty expensive selling; if he goes out with the idea of selling 20 to 25 per cent and due to these losses it runs up to 50 per cent, that is a different matter altogether. Then when a channel opens up where he can dispose of a lot of merchandise for cash, he can afford to take a smaller profit?—A. I appreciate that.

Q. I am just bringing that out; I am not refuting your argument?—A. In my opinion, he is defeating his own purpose if he is going to carry on a system that is continually putting these small merchants out of business; the loss of money is perpetuated.

Q. I am not at all in sympathy with these channels. I think the small merchandiser is certainly the man we want to protect?—A. Let me give you one more case—

*By Mr. Factor:*

Q. Before you leave the packer, did you investigate this particular angle in the packing business particularly, that the packing companies have been so over-capitalized that their incentive to do business with the large chain stores is increased. Take the illustration of the packing company which is meeting to-day and taking in a million dollars of preferred shareholders?—A. I appreciate that, all right, but you can't blame the individual merchant for that.

Q. I am not blaming them, but is that an incentive to the packing company, the fact that it is over-capitalized?—A. There is no doubt about that. It does not apply to the packers only. There are other businesses that have been over-capitalized, to our sorrow or grief.

The CHAIRMAN: I think Mr. MacKay is perhaps getting away from the point in the last statement of his.

Q. This bonus to which you referred—the case of which you are going to give us the name—is in addition to their trade discount?—A. Exactly, that is in addition to the trade discount.

Q. You were talking about trade discounts; but this is a special bonus in addition to trade discount?—A. That is it.

*By Mr. Ilsley:*

Q. Is it not in effect a quantity discount? Is this rebate that you told us about in addition to the ordinary quantity discount? I have heard this term quantity discount used time after time. Do you mean that that is what it is?—A. Well, not altogether. My experience in trying to find out just what we are discussing now,—you take in a case of smoked beef, smoked meat, provisions; a large store has, we will say, a half a cent a pound that he gets because of his volume; that is half a cent below what the independent merchant buys for from the same packer.



*By the Chairman:*

Q. That is a volume discount?—A. Yes. In addition to that, and in addition to whatever below he might be able to get it on the rail, below what it might be selling at the packing house, in addition to that Mr. Packer has to come through at the end of the year with a recognition of the business which he has received from that institution, apart and separate from anything else.

*By Mr. Edwards:*

Q. In other words, he never knows what he is getting for his goods?—A. Not under these conditions.

Q. No; if he does not reach the quota, he does not get the discount? I mean, the packer is in this position: he does not know what he has sold his goods for until the end of the year?—A. That is it.

*By Mr. Young:*

Q. In your dealing as a retailer, or as a representative of the retail merchants dealing with the packers, do you find that any of the packers discriminate between the different retail individually owned merchants?—A. Yes.

Q. There is discrimination there also?—A. Yes.

Q. The big firm is not the only one that gets an unfair advantage?—A. There are big firms who are not in the same classification as the department or chain stores. There is a firm that might be a chain so far as our own province is concerned.

Q. I have a letter here with complaints of packers charging six cents a pound for bologna in Winnipeg and ten cents in Regina, the same firm charging that to the retailer. Do you find that practice quite prevalent?—A. Yes. The packing industry is something of a mystery. You never know where you are. You have just got to take what you can get and be thankful that you didn't come off worse.

The CHAIRMAN: Let us get on.

The WITNESS: I am going to give you another instance of the packers before I leave that. I think you have the statement that the week before Christmas in our city a lady came into a retail butcher shop and she wanted to buy a turkey; she selected her turkey, and she said, "I would like to get a ham; we always have a ham along with the turkey." The merchant laid the ham on the counter, and she hesitated. He wanted 22 cents a pound for this ham, I think it was, and the lady said, "Now, I hesitate because I just wonder if I can pay you the difference between 18 cents a pound and 22 cents." She said, "I have just been over to a certain store, and there that same ham—at least I think it was the same ham—was being sold at 18 cents a pound." The price from the packer to the trade was 19 cents a pound. Let us get that clear, 19 cents is what you would have paid or I would have paid if we had been buying this ham for Christmas. The merchant said, "I have had your business for some little time, and I would rather make you a present of this ham than lose your good will." She said, "No. I don't want it as a present. Before I do anything more about the ham, I am going to go back to verify my own ideas, whether it is the same." She went back to the other store, and she came back and she said, "Yes, it is exactly the same ham, put up by the same packer." Mr. Butcher came to me and said, "We have got to investigate this and find out about it," and we did find out, not from the large stores but from a little private detective work. We found out that the company that was offering these hams for sale, in addition to buying them at a half a cent a pound less than the merchant, 18½ cents as against 19, have a demonstration allowance given to them which paid the salary of the girls selling and a portion of the advertise-

ments. That is a form of competition that we can't beat; I don't care how good a merchandiser you are, you can't beat it; and as I said before, we are again placed in the position by the public as being profiteers or dishonest people.

*By Mr. Young:*

Q. Now, why would that packing firm, that particular firm, allow that particular store an advertising allowance or demonstration allowance they would not give to you or anybody else?—A. That is what I would like to know.

Q. There must be a reason for it somewhere?—A. Well, the only reason I can give to you is the volume of business they can get from them, and the fact that their cheque is on the dot, when it is wanted. With you and I, they may have to wait a week until we collect enough money to pay the bill, but they have their cheque forthwith. I just mention that in passing, because that is a sort or form of competition that you can't beat, I don't care how you try. We have tried for years.

*By Mr. Ilsey:*

Q. Why can't you beat it by voluntary chains?—A. Voluntary chains?

Q. Yes?—A. Because voluntary chains are only recognized up to a certain point, but not beyond that point. There are some telegrams here that will give you some information on that. We have voluntary chains, and let me say, gentlemen, that these voluntary chains have only been created because of necessity, the merchants had no great desire to form a chain but to live, to survive they had to; they had no alternative. They had to come together to bring their buying power, as it were, to a certain point, and see what they could do with that.

Q. You say they can't do what the corporation chains can do?—A. No.

Q. Why can't they?—A. Because they are not on the jobber's list.

Q. Why aren't they?—A. That is what I want to know exactly.

*By Mr. Young:*

Q. I thought the voluntary chains were organized to get away from the jobber, to eliminate him entirely?—A. Not in all cases. There are some cases where they have so many of the independent retailers affiliated with that particular chain that they have been able to create their own warehouses; but even creating their own warehouses does not guarantee that they are going to be recognized jobbers.

*By Mr. Heaps:*

Q. Would you explain what is meant by the jobber's list?—A. The jobber's list—the wholesaler's list.

Q. Cannot the average small retailer purchase direct from the manufacturer, or is he compelled to purchase direct from the jobber?—A. He can purchase direct from the manufacturer, but he does not get the jobber's price unless he is recognized as a jobber.

Q. In other words he has to pay a higher price than those who buy direct from the manufacturer?—A. Yes.

Q. Does not the same practice apply to other things than those produced by the packers?—A. Well, the packer is a manufacturer and jobber combined. That is, the packer is in a class by himself. You take another commodity that comes from the manufacturer, it is sold by the manufacturer's agent or commission broker. There is one thing that maybe, while we are here, we might just as well mention, the fact that in my opinion—and I am speaking for the merchants of our province—that until something is done that will define who a jobber is, who a retailer is, business will be in the difficult situation which has been ours for years.

Q. Are there any cases where the small retail merchant is compelled to buy through the jobber and he can't buy through the manufacturer at the manufacturer's prices?—A. Exactly. Let me give you one case. We have a chain in our province known as the Merco Wholesale. They have done everything they could do to make them look like a wholesale, and make people think of them as a wholesale; they have their own warehouses and probably are doing as much business as some of the recognized wholesale houses, but we can't get recognized as a jobber in many of the lines.

Q. What goods are there that you can't get direct?—A. One of the main commodities, or one that is on the table of every home; sugar, for instance. Here are some telegrams. We have a firm of lawyers taking it up with the manufacturers, the B.C. Sugar Refineries, to see why it is Merco cannot be placed on the jobber's list.

Q. Can you tell us what the difference in price is, as between the manufacturer and the jobber and the jobber and the retailer?—A. I would not be able to give you that figure now.

Mr. EDWARDS: That is hardly a fair question.

The WITNESS: I would have to get that.

*By Mr. Heaps:*

Q. Can you tell us the spread in prices?

Mr. EDWARDS: That is hardly a fair question. That might apply to one commodity, but certainly it does not apply to a hundred others.

*By Mr. Parry:*

Q. What you mean in a word is, that the manufacturers arbitrarily furnish their jobbers with lists, not necessarily based on volume buying.—A. I would not blame the manufacturers entirely for that as much as recognized wholesalers coming together and dictating the policy to the retailer; we are the people doing business as recognized retailers and in the face of such a condition as that we cannot sell.

Q. The ultimate price fixing is between the manufacturer and the jobber.

*By Mr. Senn:*

Q. These jobbers' list is really a list of preferred customers.—A. Yes, practically so.

Mr. EDWARDS: If you will pardon me for saying so, I think your statement is very likely to be misunderstood. Now, there are very many reasons why a manufacturer cannot sell direct to a retail merchant. In Ontario and Eastern Canada that is pretty generally the case, but distance and carrying stocks and that sort of thing enter into it. A wholesale house has to have a jobbing house. It sends travellers out, and all that sort of thing enters in, expenses, and that is all dealt with when they are giving them the extra discount. I think that should be cleared up because the impression would go abroad, judging from Mr. Heaps' question there, that a manufacturer refused to sell to retailers.

Mr. FACTOR: The witness said so.

Mr. EDWARDS: And you must remember that freight rates are a very important part of this thing, and you have a peculiar situation in western Canada that does not obtain in the east.

The WITNESS: In our Province we have a number of manufacturers located right there, that is, we do a little manufacturing out there, and we find in some cases manufacturers would be quite willing to sell to the trade, but those who are in the jobbing business, those who are recognized as wholesalers say to the manufacturers "if you sell direct to so and so then we do not approve of that."



Q. Quite naturally. The question arises there, is this intermediary, the wholesale jobbing house, a necessity for western Canada conditions?—A. That is just what I was saying a while ago, that this committee should define what factors are necessary in distribution. The manufacturer, in some cases, does not sell direct himself, but in many cases he has what is known as manufacturers agents who will sell to the jobbers, for instance, take Donald Bain, Tees & Pearce, they are recognized as manufacturers agents, they take the goods from the manufacturers and sell them through wholesale channels.

*By Mr. Factor:*

Q. Why cannot they sell to you direct?—A. That is what we would like to know.

Q. You mean the manufacturers won't permit them to sell direct to the trade?—A. That is one reason.

MR. EDWARDS: Mr. Chairman, I think this is one of the difficulties: take a manufacturer in, say, a heavy line of goods, iron merchandise, he maintains his wholesale house in western Canada. The goods are shipped under an entirely different name, in all probability. This is what is done in practice: the goods are shipped from the foundry or the factory to the wholesaler in western Canada which is the same concern under a different name, and at a certain price which is the jobbers price. Then they take the part of a jobber and distribute the goods throughout the country. That is practice. I do not mean that is done in a lot of lines but I do know it is done in certain lines, in fact, I have had practical experience.

MR. YOUNG: We had a case here on Friday where a certain manufacturing concern got control of the entire stock of a certain line and then refused to sell at wholesale prices to the Merchants' Consolidated, Winnipeg. The Merchants' Consolidated then imported their supplies from Sweden. Promptly the tariff was raised, consequently those merchants are not able to get supplies at all.

MR. EDWARDS: I am speaking of a Canadian manufacturer maintaining his warehouse in Western Canada under another name. You see, he might take his own firm name and add "Western" to it, but he sells direct to his own house at a job price. That jobber, in turn, distributes to the retailer. The goods are sent out in car load lots at a time on account of freight rates.

MR. YOUNG: When a man is in that position and takes that attitude, do you think it right that he should be permitted to enjoy a monopoly of the selling.

MR. EDWARDS: Yours is a different point from mine, Mr. Young, entirely different.

MR. YOUNG: If they were competitors in that line of business willing to supply the goods at wholesale prices I would not object to that, but where a man has a complete monopoly I do not think he has any right to act that way.

THE WITNESS: We might just continue one step further than that. As I said a little while ago; we have no kick with what they get in their discounts, that is to say, what the large stores or large organizations get in their discounts. We say that they should not be permitted or the system should not be allowed, and that others should be privileged to get the same.

*By Mr. Heaps:*

Q. Mr. MacKay, do you say the departmental and chain stores can buy direct from the manufacturer?—A. Yes, because they are on that jobbers list.

Q. And the small retailer cannot?—A. That is the situation.

*By Mr. Edwards:*

Q. Just add to that, Mr. MacKay, that they bring their goods in in carload lots at a very considerable reduction in freight rates?—A. I think, Mr. Edwards, here is a very clear example of just what we are discussing: Some reference was made the other day to the rubber footwear situation. Here is a list that we are not supposed to have at all; I got this by a little scouting around; I tried to get some inside information; we are not supposed to look at these things at all; they are sent out by a group of people—

*By Mr. Factor:*

Q. You mean from the rubber manufacturers?—A. Yes, the rubber association. They have classifications—

Q. The manufacturers have?—A. Yes. They class certain institutions as A, B, C, and D. Now, I will give you a clear example of our difficulty right here. A year ago or so I made it my business, just on the basis of trying to get our buying power together, I went into the cities of Calgary, Medicine Hat and Lethbridge, to ascertain how many of the men handling rubber footwear would be willing to allow me to use my office as a clearing house so that they might be able to get in on some of these discounts that some of these institutions received. Just about that time we heard there were certain agents who were representing people in one of these classifications, and I told them I had a very large quantity of rubbers that I could buy and that I wanted them on a basis similar to this here, and I was told my money was no good.

Q. You mean although your volume was the same?—A. Although my volume may be bigger than in one of these.

Q. As contained in classification A?—A. Yes, as contained in classification A, or B; I might have bought three or four carloads of rubbers but they told me my money was no good, and they followed it up by saying "we cannot do what you are asking us to do, we are in a certain classification and what you are asking us to do is not in accordance with the rubber association business and we might find ourselves outside the classification."

MR. FACTOR: The rubber footwear situation, Mr. Chairman, does seem to warrant a special investigation. I would like you to make a note of that.

THE WITNESS: They said if they did what I was asking them to do they would find themselves with their heads chopped off.

*By Mr. Young:*

Q. Who would cut their heads off?—A. The rubber association.

*By the Chairman:*

Q. Let us get this clear. Your point, Mr. Mackay is that although you were able to secure a volume equal to, say, class A— —A. Well, it might not be class A; it might be class B.

Q. Well, class B, you were denied the similar discounts to which class B was entitled?—A. Yes. I was told my money was no good; they refused to take my money.

*By Mr. Baribeau:*

Q. Mr. Mackay, am I to understand that the sugar refineries refused to sell sugar to your group of merchants called the Merco?—A. Yes.

Q. That is, the sugar refineries refused to sell your group sugar at the wholesale price?—A. Yes.

Q. They did?—A. Yes, because of the pressure that was brought to bear on the sugar refinery by the already recognized jobber.

*By Mr. Kennedy (Peace River):*

Q. This rubber association is not in business for the good of its health, I suppose. Why did they turn down your order? Can you tell us why they turned down your order?—A. Well, Mr. Kennedy—

Q. They are in business to make money, I suppose?—A. Yes, but they make their money on a certain basis, and, as I say, I went out of my way to try to get those merchants the benefit of the discount—and I might say there is a difference there of 14 per cent in Class A.

Q. Why do they do it?—A. Why do they do it?

Q. Yes.—A. Because they control the rubber situation and they dictate the policy to everybody that wants to buy rubbers.

*By Mr. Factor:*

Q. They are a combine, in other words?—A. Absolutely.

*By Mr. Boulanger:*

Q. Why did the sugar refineries refuse to sell you sugar at the wholesale price?—A. Because pressure would probably have been brought to bear by the sugar refineries, by the wholesalers; but as retailers they said: No, you are not in the same class.

*By Mr. Young:*

Q. Do you know what the duty is on rubber footwear?—A. I would not like to say definitely because I don't know just at the moment.

Q. You never made any attempt to import from abroad?—A. No. This happened only a few months ago.

*By Mr. Factor:*

Q. I just want to clear up this rubber footwear situation. You say the manufacturers have an association called the Rubber Footwear Manufacturers' Association?—A. They classify their customers into certain classes—A, B, C and D.

Q. According to volume of business done, is that right?—A. Well, now, I don't know whether it is in accordance with volume, or some other thing.

Q. Or some artificial means.

*By Mr. Edwards:*

Q. You must know it is volume, Mr. MacKay.—A. Well, why would it be in volume, especially when I wanted to buy two or three carloads, in volume. At that time they said No, we cannot take your money.

Mr. EDWARDS: That is not the point Mr. Factor is asking.

*By Mr. Factor:*

Q. I was asking as to the basis of that. Is that the volume of business done, or are there any other considerations?—A. Well, I am inclined to think there are other considerations.

*By Mr. Senn:*

Q. What about ability to meet their accounts, their ability to pay?—A. Well, that might have some bearing, Mr. Senn.

*By Mr. Ilsley:*

Q. With whom did you deal? Who was it that denied you the certain privilege that you sought?—A. Well, I will give you that information.



Q. I do not mean the name of the firm, but was it an association of manufacturers or was it somebody else?—A. It was a jobber recognized by those manufacturers in a certain classification.

Q. Oh, yes.—A. But if they did business with me they would be doing business contrary to the rules of this rubber association, therefore, they would lose their classification.

Q. Well, to whom were these jobbers selling, the dealers you were dealing with, to whom were they selling? With whom were they free to deal?—A. Oh, I suppose any people that wanted to buy rubbers from them on the basis of what the rubber association said they should buy.

*By Mr. Parry:*

Q. To whoever they might dictate?—A. Yes, to whoever they might dictate.

*By Mr. Edwards:*

Q. Is not your problem to get on the jobbers list?—A. We cannot do that, Mr. Edwards. We have tried for years and years.

*By Mr. Factor:*

Q. Although you are willing to buy in the same volume?—A. Yes, we are willing to buy in practically the same volume, but they refused to take our money; they say our money is no good.

Mr. FACTOR: I understand the rubber situation has been investigated under the Combines Investigation Act. It would be well to have the report before the committee.

The CHAIRMAN: I do not think the investigation is yet completed. I understand it is under way now; but I am quite sure of this, in fact the intimation was conveyed to me this morning, that the secretary or officer representing the association will be very glad to come before this committee and give evidence, and we expect to have that within a few days.

*By Mr. Kennedy:* (Peace River):

Q. Have you got all the names and so on in connection with this case, Mr. Mackay.

*By Mr. Parry:*

Q. The name of the association. For the information of the committee, just indicate generally now the classes of merchants in class A who receive the manufacturers' bottom price to which reference has been made frequently.—A. Departmental stores, they are in class A; they have preference over a wholesaler who might be in class B or class C.

Q. They have a preference you say?—A. Yes.

*By Mr. Young:*

Q. Class A is confined to departmental stores?—A. Well, no.

Q. And there is a list of those who have the preference in class A who have a very big advantage in obtaining only the bottom price, which appears to be 14 per cent in class A, 11 per cent in class B, 8 per cent in class C, and 6 per cent in class B, and I suppose if you were fortunate enough to get in, D would be the classification you would have?—A. Yes. If we had had any encouragement in the illustration I just cited to you we might have got into a higher class, if it was on a strictly volume basis.

*By Mr. Factor:*

Q. Can you buy your rubber goods direct from the manufacturer or do you have to go to the jobbers?—A. I believe you can buy direct but you have to buy on a certain basis, a recognized basis of doing business.

*By Mr. Parry:*

Q. Mr. Mackay, before closing this matter out, will you name this particular association? I notice the letter is dated Winnipeg, April 17, 1933, footwear sales, circular No. 6, but there is nothing here to particularly designate the association from whom you obtained this.

The CHAIRMAN: Or who issued it.

The WITNESS: You mean those who received it from the rubber association.

*By the Chairman:*

Q. No, what is the name of the association issuing this bulletin?—A. As far as I know that is issued by the Dominion Rubber Association.

*By Mr. Factor:*

Q. Is that the name of it, the Dominion Rubber Association?—A. Yes.

Q. That is, the manufacturers?—A. Yes.

*By Mr. Boulanger:*

Q. Are all the wholesalers in the same classification?—A. No, there are different classifications which take in different jobbers, some wholesalers, some retailers. Departmental stores are in class A while there are some wholesalers in class B or class C.

Q. Why are not the wholesalers in the same class, what is the reason?—A. That is what I would like to find out. That is why I think there is room for investigation on the part of this committee just to give us the information we have been trying to get for years, and we cannot get it.

*By Mr. Kennedy (Peace River):*

Q. When you tried to buy the quantity of rubbers were you trying as a retailer or what?—A. We were—

Q. Or a group of retailers?—A. I was applying as representing a group of retailers in a certain section and with the money to pay for the goods, and we were told very plainly that our money was no good.

*By Mr. Boulanger:*

Q. How many merchants in your group?—A. We were probably between 50 and 75 merchants.

*By the Chairman:*

Q. In the group that you are now referring to?—A. Yes.

*By Mr. Boulanger:*

Q. The Merco?—A. No, not the Merco.

Q. How many are in the Merco group?—A. About 102.

Q. And what is the name of that other group?—A. They were just individual merchants with whom I had consulted as to making my office a clearing house in order to bring them to a point where they could buy all the rubbers they desired and at the same time secure some of the advantages accruing to those who were in the different classifications.

*By Mr. Factor:*

Q. Do you know how many manufacturers there are in that association?—A. I should think that is easy to find out, Mr. Factor. I think there is only one company that is not in the group or not in the association, if my information is correct. All the others are in.

*By Mr. Heaps:*

Q. You have given us three classes of goods now that a retailer cannot purchase direct from the manufacturers, sugar, rubber and products of packing plants; are there any other commodities that you know of personally?—A. No.

Mr. FACTOR: That is not right. He says footwear and packing house products can be bought direct from the manufacturers but at a special higher price.

*By Mr. Heaps:*

Q. Well, accepting that as the basis, are there any other goods that you know of that are bought by the retailer on a similar basis as this, or, I should say, as these other goods to which you have been referring this morning?—A. Well, I would say yes there are some other lines although I am not prepared to go into the detail now.

Q. I am not asking you for details, but do you know of any other class of commodities? If you do I would like to have them?—A. Yes, ladies' ready-to-wear is a line that I think would stand some investigation. The clothing business, you have heard about that; that has been very ably presented to you here.

Q. I am asking, Mr. Mackay, if the retailer has any difficulty in purchasing these goods direct from the manufacturer?—A. Well, there are very few lines—if I may put it that way—that we don't have difficulty in getting, very few lines.

*By Mr. Bell (Saint John-Albert):*

Q. In some cases do the retailers organize for the purpose of obtaining better prices from the manufacturers?—A. Yes.

Q. They have an organization amongst some of the retailers whereby they obtain better prices?—A. The movement on the part of the independent retailers to create these buying groups, these voluntary chains has been because of the necessity of meeting the competition which we are confronted with.

The CHAIRMAN: Mr. MacKay has just been telling us about the efforts that he himself has made.

Mr. BELL: There are some cases, where they have been obtaining better consideration, Mr. Chairman.

The WITNESS: Here is a commodity here, Mr. Chairman. You see the only difference is the top of the jar, made by the same people. This line sells at 25 cents to the public; this one sells at 50 cents. There is no difference in the contents, they are the same.

*By Mr. Factor:*

Q. What is it?—A. Cream.

Mr. PARRY: Just pass it round to the committee.

The WITNESS: I am going to read you a letter.

Mr. EDWARDS: I think, Mr. Chairman, that is very poor evidence.

The WITNESS: Very poor evidence?

*By Mr. Edwards:*

Q. Oh, yes, unless you are prepared definitely to tell us that the contents of those jars aren't absolutely the same.—A. I am going to give you the word of a gentleman who has been in the drug business for many many years.

Q. Does he give you the analysis of it?

Mr. YOUNG: Let us hear what the evidence is first.



The WITNESS: This is addressed to myself from Mr. McDermid of the McDermid Drug Company who have a number of stores throughout the Province of Alberta:—

At our meeting the other day Mr. Somers of Wetaskiwin said that you asked him to send any evidence we had regarding unfair trading practices so are sending you per concurrent mail two jars of Armands cold cream.

The one in the opal jar you will note from the label on the bottom is marked 50 cents, which is the price the drug stores have to sell the product. It costs us 33 cents bought in quantity through the jobber. The one in the glass jar, which is the same size contained and according to appearances the same product, is sold by the Kresge stores for 25 cents.

It was only within the last week that we learned of this condition and on inquiry from the local wholesale house, they never heard of this jar nor had they been offered it, so from this you can see the false position it places the druggist in as far as the general public is concerned. While one jar may be a little more expensive than the other, that does not add to the value of the cream.

We are not taking exception to these people for selling their cream for 25 cents but to the discrimination in selling the druggists the product on which the price of 50 cents must be maintained and putting up a similar product for another organization for half price on which they, no doubt, give a fair margin of profit.

We might state, up to the present, we found the Armand Company very fair in their dealings so are all the more surprised when this was brought to our attention.

*By Mr. Kennedy (Winnipeg):*

Q. He does not give any analysis, does he, Mr. MacKay.—A. Well, you have a very good analysing place right here.

The CHAIRMAN: Frankly, I do not think they are precisely the same myself.

Mr. FACTOR: What this man complains of, Mr. Chairman, is that they are made to look alike. They might not be alike but they are made to look alike and the ordinary customer could not tell the difference from looking at them.

The WITNESS: They are deceiving the public.

Mr. FACTOR: Yes, there is a certain deception in putting the article forward.

*By Mr. Young:*

Q. They are compelled to charge 50 cents, you say?—A. Yes.

Q. There must be something wrong with that arrangement, an arrangement through a wholesale house that will fix that price; that is the weakness in the system, isn't it?—A. Yes, I would say so.

Q. Supposing your association were in a position to go and buy a similar product somewhere else and ignore these people entirely would not that get them out of their difficulty in that way?—A. Yes. There is a certain value in nationally advertised merchandise which goes to the household, so far as the housewife is concerned, due to national advertising.

Q. If you could get some other nationally advertised article you would at least bring them to their senses?—A. Yes.

*By the Chairman:*

Q. Well now, Mr. MacKay, the name of the manufacturer has been mentioned in this, and I would like to ask one or two questions. There is no doubt

in your mind as to the facts, that one is sold for 25 cents and the other is sold for 50 cents; secondly, that the name, as appended, is exactly the same?

—A. Yes, sir.

Q. In each instance there is nothing to distinguish between the two?—A. No.

Q. The one is sold by a chain store at 25 cents and the other by the ordinary trade at 50 cents?—A. Yes.

Q. But you do not know, of your own knowledge, that the contents are the same?—A. I don't know, Mr. Chairman, no.

Q. But the appearance of the package is the same?—A. Yes, the appearance of the package is the same. What I say is they are deceiving the public.

Q. Yes, that is the complaint?—A. That is the complaint.

Q. Of your member, Mr. McDermid, he is a member of your association?—A. Exactly, yes.

Q. And this is filed as an illustration of what might be termed a misleading practice in the sale of these goods?—A. That is it.

*By Mr. Factor:*

Q. Can the ordinary trader buy the second jar, the 25 cent jar from the manufacturer?—A. Well, I would say judging from the letter that the druggists who have been handling that particular product have not had the opportunity. The product was put up in a special jar for the chain stores, and the druggists did not know of it until this was brought to light.

Mr. FACTOR: That is a similar illustration to the Hurlbut shoe, practically, a cheaper commodity.

Mr. EDWARDS: Yes, and just at that point you have got to be pretty careful because they are coming here with an entire rebuttal, so you want to be careful on this.

*By Mr. Parry:*

Q. Do you know, Mr. MacKay, whether that is done in any other form of goods that come under your purview, I mean special packages put up for distribution by chain stores?—A. Yes.

Q. Can you give the committee any examples?—A. Not off hand, but I would like to send you in a list of examples though.

The CHAIRMAN: I wish you would. We are not making very much progress this morning. Please proceed, Mr. MacKay. We are spending a little too much time, I think, in discussing details.

The WITNESS: When "loss leaders," as they are termed in the trade, are sold to the public at a price which is below their value or fair selling price, namely, the cost of production plus cost of handling with reasonable compensation for services rendered, other merchant vendors of the same class of merchandise must come down to that selling price or suffer misrepresentation to the buying public.

The individual transactions do not by any means measure the damage done to competitors, because the impression created in the minds of the public is that the fair and proper selling prices of the goods in question are the prices quoted by the departmental and chain stores, while the prices asked by the independent merchant are excessive, or, in other words, as competitors of the departmental and chain stores, the independent merchant in many instances is regarded as dishonest or is profiteering at the expense of the general public.

The evil, however, goes much beyond the injury suffered by the independent retailer, because it may and very often does set the price which producers will be able to get in the community for produce which they have to sell. This is of vital interest to farm producers, and the following instance demonstrates very conclusively the effect which these unethical practices have on the farmers of western Canada.



I am going to just make reference here to an address that was recently delivered by Mr. John Irwin, M.L.A., in the Provincial Legislature of the Province of Alberta. Mr. Irwin has taken a great deal of interest in this movement.

The CHAIRMAN: Mr. Mackay, I do not want to shut you off or curtail you unduly at all, but frankly we are anxious to receive from you as much as we can in the nature of evidence. However, just quoting opinions, you know—

The WITNESS: Well, I do not think Mr. Irwin would appear in the House at Edmonton, Mr. Chairman, and make a statement that was not absolutely right.

The CHAIRMAN: I do not think he would.

The WITNESS: Just let me read this.

Mr. FACTOR: Members of Parliament never do that.

*By Mr. Factor:*

Q. Is he a merchant, Mr. MacKay?—A. He was a merchant, but unfortunately, through circumstances which we are discussing now, Mr. Irwin has been forced out of business.

*By the Chairman:*

Q. Just before you go on, what is the nature of the statement you are about to make?—A. The nature of the statement,—well there are a number of statements here, Mr. Chairman, but I won't take time to read them all. However I want to draw your attention to one or two. Here is one, for instance:

Mr. Speaker, the chain stores are nothing but invaders . . .

The CHAIRMAN: Wait just there. Pardon me, Mr. MacKay, that does not prove anything. It is merely an expression of an individual who is perhaps feeling irritated and suffering perhaps under the competition; but, frankly we have got to be careful. That really is not evidence.

The WITNESS: All right, here is one thing that does say something.

Mr. FACTOR: It would be well if he arranged to furnish each one of us with a copy so we could use it to some account in the House ourselves.

The CHAIRMAN: Give Mr. Boulanger one, please.

Mr. FACTOR: This would serve as an example for a good speech.

Mr. EDWARDS: It opens well at any rate.

The WITNESS: I would call your attention to page 2, paragraph 2, and the last sentence I would like to read, because that statement I think sums up the whole situation, it says "one Canadian wholesaler who was present at a meeting attended by an official of one of the chain stores, had the courage to say: 'it seems you people came here to put us all out of business' and the answer was: 'that's what we came for, but you d. . . . Canadians don't know when to quit.'"

The CHAIRMAN: Of course, that is rough stuff, but it is not real evidence.

The WITNESS: I would like to say here and now that is about the sum of it. The chain organizations as we find it in our business have no sympathy; there is no sentiment—it is just a quibbling on business principles—and we merchants have come to that part of our existence when we see ahead that there is nothing but the inevitable day of doom.

*By the Chairman:*

Q. Let us get on with the evidence to support that?—A. Well now, I will just pass on: Dealing further with the position of our farmers and the effect which the policy of the chain and departmental stores has on his business, the following are a few advertisements picked at random, which refer to farm



products: December 27th and 28th, Christmas Hams, wholesale cost to the retail trade 19 cents per pound, advertised and sold by department store at 18 cents per pound.

*By Mr. Factor:*

Q. Have you a copy of these advertisements?—A. Yes.

*By Mr. Parry:*

Q. You will file these advertisements with the committee?—A. I will do that.

January 19th, shoulders of pork, cost 11 cents, advertised at 8 cents per pound. Spare ribs on a 4-pound basis, cost to the trade 24 cents per pound, advertised and sold at 17 cents.

February 7th, No. 1 Picnic hams, cost 14 cents, advertised at 13 cents.

While the foregoing should be conclusive evidence as to the detrimental effect which departmental and chain store "Loss Leaders" have on our farming industry, it is not generally known—in fact it might be considered as a trade secret—that national chain organizations and departmental stores recognize only the packing houses that are prepared to return at the end of the year a substantial cheque, the amount of which is computed on a percentage basis in accordance with the volume of business done during the year. In other words, only those firms that are willing to pay a premium to the mass buyers can hope to secure a share of this business, and then the business usually goes to the highest bidder.

Returning to the position of the independent retail merchant, I would like to draw the attention of the Committee to another aspect of this impossible situation. The following are the exact figures quoted in advertisements published by Calgary departmental and chain stores. You will note the articles referred to are of the type known generally as "staples" and used more or less in every Canadian home.

I will file this, Mr. Chairman, I have fourteen instances which you can have for the Committee:

Date 1934	Special price advertised	Wholesale cost	Retail cost
1. Jan. 5—Pearl Soap.. ..	10 for 29c.	\$3.21 per 100	\$3.40 per 100
2. Jan. 5—Sugar.. .. .	or \$2.90 per c/s 5 lbs. for 29c. or \$5.80 per 100	\$7.21	\$7.50
3. Jan. 12—Shredded Wheat.	2 for 19c. or \$3.42 per c/s	3.40	3.60
4. Milk 48/16.. ..	or \$3.42 per c/s .07c.	3.95	4.25
5. Oxydal 40 .. ..	or \$3.60 per c/s 16c. per pkg. or \$6.40 per c/s	6.64	7.10
6. Chipso 40 .. ..	16c. per pkg. or \$6.40 per c/s	6.64	7.10
7. Sliced Pineapple 48/2 .. .. .	3 for 25c. or \$4.00 per c/s	4.25	4.55
8. Jan. 19—Pork and Beans.	4 for 19c. or \$1.14 per c/s	1.40	1.55
9. Tomatoes .. ..	4 for 38c. or \$2.28 per c/s	2.40	2.60
10. Jan. 24—Maxwell House Coffee.. .. .	.35c.	.35½	.39
11. Feb. 16—Tomatoes .. ..	.09c.	2.40	2.60
12. Rolled Oats.. ..	or \$2.16 per c/s .12½c.	1.50	1.65
13. Feb. 27—Lux 72/.. .. .	or \$1.50 per c/s .06½c.	5.57	5.95
14. Shredded Wheat.	or \$4.68 per c/s .08½c. or \$3.00	3.40	3.60

Take another example, the bread situation. As this commodity is a daily necessity in every home, the chain store organizations with their own bakeries feature bread as a leader in their stores, and in many cases offer it as a premium to get other business.

Particularly drastic use of bread for this purpose has been made at country points, where it has been taken as a weapon to use against competing grocers who have to buy bread from regular bakers and ordinarily pay a fair price.

Country grocers have endeavoured to meet the situation by asking their local bakers for cheaper prices and the latter have been forced, in their endeavours to survive, to lower prices below production costs.

The results have been long hours, lowered wages, loss of employment, steady trade losses, businesses closing, and finally bankruptcies—all to the grave injury of a local industry employing local capital, local workmen and using practically altogether the products of our local farms.

Specific data follows:—

Now, here are some specific data in regard to the bread industry. This is in the Red Deer district, the city of Red Deer and the surrounding area.

#### EDMONTON DISTRICT

Red Deer	Week of Jan. 15-20, 1934
Competing Bread is Shipped by Chain Store from their Edmonton Bakery	
	Loaf
Local bakers' price this week.. . . .	7½c.
Chain store price this week.. . . .	7 for 25c.
Local bakers' usual price in 1933.. . . .	4 for 25c.
Chain store usual price in 1933.. . . .	5 and 6c.
Local bakers' lowest price in 1933.. . . .	4 for 25c.
X. Chain store lowest price in 1933.. . . .	"Free" and 2c.
XX. Shipping cost from Edmonton.. . . .	1c.

#### THIS IS THE LOCAL BAKER'S REMARKS AS TO HIS BUSINESS

There were times during 1933 that chain store price in Red Deer was as low as 2 cents per loaf, or 2 loaves free with \$1 worth of groceries. I might say my volume is a little up from this time last year, but making a bare living.

#### GENERAL REMARKS

There are two local bakery establishments in Red Deer, both of which have had to curtail employment and wages and find business conditions most difficult owing to this competition.

*By the Chairman:*

Q. Just before you leave that; it is at any rate apparent that the chain store brings the bread in from Edmonton, or is it from another point?—A. They bring it from Edmonton.

Q. In competition with the local baker?—A. Yes.

*By Mr. Parry:*

Q. I believe you have similar information from other parts of the province which largely corresponds to that which you have just given. You might go over that and just list the number of instances that you are filing?—A. I will leave you a copy.

By the Chairman:

Q. Just put in your evidence, and tell us the similar instances to this which appears in the evidence which you have now filed?—A. The similar instances are, Lacombe, Ponoka, Wetaskiwin, Leduc, Camrose, Vermillion, Vegreville, and Stettler.

By Mr. Factor:

Q. At all these places you say chain stores are selling this bread at a low price?—A. Yes sir, shipped from their own bakeries in the city of Edmonton.

Q. They are competing with the local bakers?—A. Yes, sir.

By Mr. Kennedy (Peace River):

Q. They don't travel up into the Peace River?—A. That is just a little too far away for them.

The CHAIRMAN: All right, let us go on please.

The WITNESS: The other instances filed are as follows:—

Lacombe		Week Jan. 15-20, 1934	
Competing Bread is Shipped by Chain Store from their Edmonton Bakery			
			Loaf
Local bakers' price this week.. . . .			5c.
Chain store price this week.. . . .		3	for 10c.
Local bakers' usual price in 1933.. . . .			5c.
Chain store price (usual) in 1933.. . . .		3	for 10c.
Local bakers' lowest price in 1933.. . . .			5c.
X. Chain store lowest price in 1933.. . . .			"Free"
XX. Shipping costs from Edmonton.. . . .		1½c. rail, ¾c. truck	

LOCAL BAKER'S REMARKS AS TO HIS BUSINESS

To compete with the chain store here, I have lost about \$800 in the year 1933, and it will be far worse this year as prices of raw material have gone up considerably in the past few months.

GENERAL REMARKS

Local baker formerly was able to employ two experienced men, now only has sufficient volume to engage two boys, part time. He is steadily going behind despite every effort to economize and meet the situation.

Ponoka		Week Jan. 15-20, 1934.	
Competing bread is shipped by Chain Store from their Edmonton Bakery.			
			Loaf
Local baker's price this week.. . . .			5c.
Chain store price this week.. . . .		3½c.	
Local baker's usual price in 1933.. . . .			5c.
Chain store usual price in 1933.. . . .		3½c.	
Local baker's lowest price in 1933.. . . .			5c.
Chain store lowest price in 1933.....			"Free" and 2½c. ¾
X. Shipping cost from Edmonton.. . . .		1½c. rail, ¾c. truck	

LOCAL BAKER'S REMARKS AS TO HIS BUSINESS

"On different occasions chain stores here gave two loaves of bread free with each grocery order of one dollar or more."

GENERAL REMARKS

Local baker is a returned soldier and the only way he has been able to survive is by long hours on the part of himself and wife and every possible economy, together with support of local sentiment.



Wetaskiwin

Week Jan. 15-20, 1934

Competing Bread is shipped from Edmonton by Chain Stores from their Edmonton Bakery.

	Loaf
Local baker's price this week.. . . . .	5c.
Chain store price this week.. . . . .	2 for 10c. 3 days
	2 for 5c. 2 days
Local baker's usual price in 1933.. . . . .	5c.
Chain store usual price in 1933.. . . . .	2½c.
Local baker's lowest price in 1933.. . . . .	5c.
Chain store lowest price in 1933.. . . . .	"Free" & 2 for 5c.
Shipping cost from Edmonton.. . . . .	½c. rail, ⅓c. truck

## LOCAL BAKER'S REMARKS AS TO HIS BUSINESS

While the inference from figures may be that my position has not been seriously affected since I have maintained my own price, this is quite erroneous. My wholesale prices, and the bulk of my business is wholesale, were forced down. At the time I lost considerable volume. Coupled with these was the strong advance in cost of many bakers' materials, e.g., flour, sugar, shortening, so that in order to continue in business at all, I was compelled to cheapen the quality of my product.

## GENERAL REMARKS

This town usually supports two local bakeries. One has been forced to the wall. The other is steadily losing out and will have to soon close unless some remedy for ruthless competition can be found.

Leduc

Week Jan. 15-20, 1934

Competing Bread is shipped by Chain Stores from their Edmonton Bakery.

	Loaf
Local baker's price this week.. . . . .	6c.
Chain store price this week.. . . . .	4c.
Local baker's usual price in 1933.. . . . .	5c.
Chain store usual price in 1933.. . . . .	3c. to 4½c.
Local baker's lowest price in 1933.. . . . .	3½c.
Chain store lowest price in 1933.. . . . .	"Free" and 2½c.
Shipping cost from Edmonton.. . . . .	½c.

## LOCAL BAKER'S REMARKS AS TO HIS BUSINESS

I am quoting retail prices for myself. Sixty per cent of my bread business is wholesale, which I sold for one cent per loaf less than above stated, so the most of my bread in 1933 was sold for four cents per loaf. "On several occasions during the year chain stores have put on specials by giving two loaves of bread free with every purchase of \$1.00 groceries, and some other retail stores have followed suit. What we want is the price fixed by the Government and if it were possible to get legislation that would prohibit chain stores and grocers from handling bread, because a large percentage of them are using bread as a foot ball to get business."

## GENERAL REMARKS

Local baker's volume and price very seriously affected. He is operating at a loss.

Camrose

Week Jan. 15-20, 1934

Competing Bread is Shipped by Chain Stores from their Edmonton Bakery

	Loaf
Local bakers' price this week.. . . . .	6c.
Chain store price this week: . . . . .	5c.
Local bakers' usual price in 1933.. . . . .	6c.
Chain store usual price in 1933.. . . . .	4c.
Local bakers' lowest price in 1933.. . . . .	6c.
Chain store lowest price in 1933.. . . . .	"Free"
Shipping cost from Edmonton.. . . . .	1c. rail, $\frac{5}{8}$ c. truck

LOCAL BAKER'S REMARKS AS TO HIS BUSINESS

We were only able to get chain stores to agree to a price of 5 cents in Camrose recently. All other stores were prepared to raise their price to a proper level, but would drop until chain store will promise to do so. I am fairly certain that chain store will lower price on the flimsiest excuse. They broke their agreement last time because one of the others made a special of sugar.

GENERAL REMARKS

There are two local bakers here. Long-time residents and good families in the community. Their life savings and position are being steadily eaten away in their endeavours to keep operating and meet the difficult situation arising through chain store establishment using bread constantly as a "Loss Leader."

Vermilion

Week Jan. 15-20, 1934

Competing Bread is Shipped by Chain Store from their Edmonton Bakery

	Loaf
Local baker's price this week.. . . . .	6c.
Chain store price this week.. . . . .	4 $\frac{1}{2}$ c.
Local baker's usual price in 1933.. . . . .	6c.
Chain store usual price in 1933.. . . . .	4 $\frac{1}{2}$ c.
Local baker's lowest price in 1933.. . . . .	4c.
Chain store lowest price in 1933.. . . . .	"Free" and 2c.
Shipping cost from Edmonton.. . . . .	$\frac{3}{8}$ c. truck, $\frac{3}{4}$ c. rail

LOCAL BAKER'S REMARKS AS TO HIS BUSINESS

Bread competition has been so keen here we have been forced to close two or three days each week, and are at present baking around 1,000 to 1,200 loaves per week, due to unfair competition from chain stores. We have been forced to lay off two men and have a baker here now only on part time.

GENERAL REMARKS

This town formerly supported two local bakeries. One has been forced to close out and the business of the other is drastically curtailed.

Vegreville

Week Jan. 15-20, 1934

Competing Bread is Shipped by Chain Store from their Edmonton Bakery

Local baker's price this week.. . . . .	5c. for 16-oz. loaf
Chain store price this week.. . . . .	4 for 15c., 20-oz. loaf
Local baker's usual price in 1933.. . . . .	5c. for 16-oz. loaf
Chain store usual price in 1933.. . . . .	7 for 25c., 20-oz. loaf
Local baker's lowest price in 1933.. . . . .	5c. for 16-oz. loaf
Chain store lowest price in 1933.. . . . .	"Free" also 3c. for 20-oz. loaf
Shipping cost from Edmonton.. . . . .	$\frac{1}{2}$ c. loaf

## LOCAL BAKER'S REMARKS AS TO HIS BUSINESS

Without prices fixed by Government it would not help us as all chain stores sell 20-oz. loaf cheaper than our 16-oz. loaf. Sometimes they give two 20-oz. loaves, wrapped, with every dollar order of groceries, so you see what country bakers are up against.

## GENERAL REMARKS

Local baker's position serious. He is now only able to operate on a small scale and it is only a question of time, unless some help is forthcoming, until he will be forced out.

Stettler

Week Jan. 15-20, 1934

Competing Bread is Shipped by Chain Store from their Edmonton Bakery

Local baker's price this week.. . . . .	4 for 25c.
Chain store price this week.. . . . .	4 for 15c.
Local baker's usual price in 1933.. . . . .	4 for 25c.
Chain store usual price in 1933.. . . . .	4 for 15c.
Local baker's lowest price in 1933.. . . . .	4 for 25c.
Chain store lowest price in 1933.. . . . .	"Free", also 2 for 5c.
Shipping cost from Edmonton.. . . . .	$\frac{3}{4}$ c. truck, $\frac{3}{4}$ c. rail

## LOCAL BAKER'S REMARKS AS TO HIS BUSINESS

We did not cut prices as other places did. Chain store prices reduced our volume on our shipping for fifty miles around as well as here.

## GENERAL REMARKS

This town has three local bakers, all of whom are finding it most difficult to remain in business.

In the ruthless and cold-blooded policies of the firms referred to the business of merchandising in this country has been debauched. Farm producers, wage earners generally and independent retailers are victims of the tricks which are practised, and in the final analysis all classes in the community suffer, even the buying public who, if they are buyers are individually and primarily sellers of either goods or services of some kind. Essentially no one is a buyer who is not a seller, and he automatically acquires his purchasing power through being a seller.

As buyers, the public want and are entitled to look for and find a competitive fair price on what they want to buy, but as sellers the same public, each one of them requires to receive a fair price for what he or she has to sell, whether goods or service. Unduly low prices must therefore be harmful for both buyer and seller, perhaps not in the individual transaction, but certainly when taking a long view of the situation. No person will find that he gets indefinitely a high price for what he has to sell—goods or services—if he and every one else is able to buy in the same community at a very low price.

This principle is inevitable in its application, but is not widely enough appreciated or acted upon. No person who wishes to continue to be himself well paid in a community can logically and successfully buy from all others to their loss or lack of reasonable and fair profit.

Prosperity and a high standard of living in any community presuppose that sellers get a fair and just price for the goods or services which they have to sell and that buyers be prepared to pay that fair and just price. No one



is injured but all benefit thereby, because the buyers and the sellers are one and the same public, and change from buyers to sellers and vice versa, according to each particular transaction.

These very true thoughts are set down here because they will indicate why the state must be prepared to regulate all merchandising of goods and services when individuals or aggregations of capital are pursuing practices which are running counter to the above principles and are tending to crush fair competition and fair prices within the community. Further, such practices debauch the minds of the public in their capacity as buyers, and conceal from them the fundamental truth, namely, that no person can systematically buy from others at or below cost without damaging his own future prosperity.

The true principle of general prosperity for any community is that any person willingly pay that price for what he or she requires which includes fair compensation to the seller. If that principle is carried out in practice every member of the community will make up in his capacity as a seller of goods or services what he seems to lose in his or her capacity as a buyer.

*By Mr. Young:*

Q. Have you ever tried this out, Mr. MacKay?—A. We are trying it now.

Q. In one individual community?—A. With the city of Calgary.

Q. Do you mean to say that has actually been done, that people have agreed to that?—A. No, we have not gone that far, we are just trying to start and educate.

It would be well if the general public were better informed on this matter, and it is imperative that regulations be set up and enforced which will permit the breaking through of the principle, with all its ruinous consequences to healthy business activity within the state.

Q. Don't you think it would be a capital idea to try this out in a certain community, where say the people would agree to pay a double price for everything they bought, and to pay double wages to their employees.

Mr. EDWARDS: Perhaps they might start in Weyburn.

Mr. YOUNG: I don't want to start it in Weyburn.

The WITNESS: We may make a start in Alberta before this year is over.

In conclusion, Mr. Chairman, the Alberta Provincial Board of the Retail Merchants' Association, speaking for and in behalf of the Independent Retailers of the province of Alberta, is of the opinion that the whole process of distribution is disturbed and seriously dislocated by mass buying, and its evil consequences.

The system of operating on the part of the departmental stores, the chain stores and the mail order institutions is being carried on without regard to fair play or any ethical code, which, if recognized, would sufficiently preserve the fundamental principle referred to.

It would seem that not only the independent merchants but the farmers and manufacturers are rapidly becoming disorganized by the methods and practices of the type of business firms referred to. In the final analysis all outside competitors will be crushed, eliminated, or reduced to a very low standard of living if immediate effective measures are not taken to set a limit to many unethical, unfair and even fraudulent practices which are now rampant in the distribution system throughout Alberta and the Dominion of Canada.

All of which is respectfully submitted by the Alberta Provincial Board of the Retail Merchants' Association.

*By Mr. Boulanger:*

Q. Right there, Mr. MacKay, have you any measures to suggest to remedy the situation?—A. Yes I have, in so far as our own province is concerned; I am not speaking for any other province.

I would like to read this letter, Mr. Chairman, and file it with you. This letter comes from a long way north of Edmonton—Grande Prairie—and it is dated December 11, 1933. It is addressed to Marshall Wells Co., Ltd., a wholesale house doing business at Edmonton, Alberta, and it reads: Some six weeks ago your Mr. Graham—now Mr. Graham I understand is one of the officials of Marshall Wells—at my solicitation checked over with me the catalogue prices on a large number of hardware articles, and in nearly 100 per cent of the items checked the catalogue price was in many cases as low as or lower than your wholesale price. Mr. Graham took this matter up at your Convention and your sales department manager asked him to obtain the catalogue with the prices marked, etc. You will readily understand that I am not trying to put anything over, but if the retailer is to remain in business and be able to do business, the prices as put out by the jobbers will have to be adjusted. Some years ago when Mr. Norman B. Douglas was secretary of the Retail Merchants' Association of Canada, with offices at Ottawa, he suggested to the government the formation of a bureau within the department of Trade and Commerce to exercise supervision of business in Canada on "fair trading." No action was taken—the writer happened to be in Ottawa as a Peace River delegate when this was brought up, and was received by some of the ministers, but the secretary pointed out to the writer that the retail trade would have to put more men into the Parliamentary field if they were to get any place. A few of us at the last Dominion election undertook to put in a certain retailer from this province, but did not make it. The business outlook for 1934 is none too bright. Dollars and cents will be hard to get hold of, and the purchaser is bound to look up the catalogue prices and compare them.

Now, this is the reference to which I wish to draw your attention: The item is, Vacuum Hand Washers; the catalogue price is 63 cents while the Marshall-Wells' price is 60 cents; and with that is this other item of baby-swing highback complete with spring, the wholesale price is \$1.49 as against the catalogue price of \$1. Now, gentlemen, how can we do business—it is going to be necessary, if we are to try to meet the catalogue and other prices—

*By Mr. Parry:*

Q. Mr. MacKay, following the question asked you by Mr. Boulanger, will you file with the Committee in the near future the recommendations from your Association?—A. The recommendations?

Q. The recommendations that your Association may determine to make as to remedial action?—A. As it applies to our province.

Q. Yes?—A. I have that right here.

Here is another case, Mr. Chairman, of an advertisement which appeared in a Calgary newspaper. It is only a small item. Nugget shoe polish. The advertisement reads "These savings in the shoe department." That is the heading of the ad. "Regular price 2 for 25 cents. Thursday per tin 10 cents." Here we have the cost from the wholesaler. Brasso polish advertised at ten cents, Silvo polish advertised at 10 cents. Here is the wholesaler's letter to the merchant who made inquiries as to why it should be advertised at that price:—

As requested we herewith quote you as follows:—

3B Brasso, \$1.43 dozen.

34 Silvo, \$1.45 dozen.

These prices are our regular wholesale f.o.b. Calgary, on which you would be entitled to a discount of 5 per cent.

Thanking you, we are,

Yours truly,



Mr. FACTOR: The same kind of polish?

The WITNESS: Yes, the same kind. Now, here is another list of items with advertisements.

*By the Chairman:*

Q. This is a list of six items with the advertisements and the wholesale price?—A. There is a file of advertisements which refer to the fourteen articles in the memorandum I have just read.

Q. Are these the bread items?—A. No, I have the bread items here separate.

Q. That is what you spoke about a few moments ago?—A. Yes. There are the bread prices with the statements from the bakers attached. Now, there are a few other lines of merchandise. Lux soap advertised at 5 cents per cake, \$3.60 a case, wholesaler's price \$4.41 a case; Lifebuoy soap, \$6.25 a case against \$6.84. That is \$6.84 to the trade by the wholesaler; Lux flakes, 3 for 25 cents, \$6 a case against \$5.87, wholesaler's price; Pearl White naphtha, \$3.33 a case advertised, cost \$3.38; Sunlight soap, \$3.48 a case against \$4.

Here is another instance. I think it is a little unfair. This is from the Deal Fish Company, wholesale and retail fish dealers of Calgary. He says:—

With regard to our suggested regulations submitted to you, we feel that perhaps some of them should be explained to your better satisfaction.

With regard to No. 5 of the regulations we will give you names and instances of this particular case which has been going on right here in Calgary.

Edmunds and Walker of New Westminster, a producing fish firm, ship to Campbell and Griffin, Cold Storage Plant, a car load of frozen fish for the (department store) company to be drawn from by them at their convenience. They shipped this car to them at the same price as ourselves and other wholesalers would have to pay for it. Consequently (the departmental store) sold the majority of this fish retail for less, in most cases, than we or other wholesalers could sell it to the retail butcher or restaurant in the city on a wholesale basis for them to resell. This kind of business of course discredits the small retailer in the eyes of the public.

*By Mr. Young:*

Q. They both bought at the same price, and the department store sold to the retail trade cheaper than the wholesaler can sell to the retail trade. I do not see why. I do not see the logic of that. If I heard you correctly the department store and the wholesaler were both buying the fish at the same price and the wholesaler complains that he cannot sell to the retail trade as cheaply as the department store can sell to the public. If they both buy at the same price why can he not?—A. Of course, you do not infer that the department store gets a profit on everything they sell, do you? This is one of the loss leaders that they bring into operation in order to try to get people of the opinion that everything in the store is sold on that basis, which is not so.

Q. You say that the department store is selling this at a loss?—A. Absolutely. Selling at a loss in the operating—

*By the Chairman:*

Q. That is the basis of your complaint all through in these cases?—A. Yes. In these loss leaders, in the operating of a department store if they can operate by advertising or some other method—if they can get people into the store every day and do business on the average, there the law of average is working. If they can get 5,000 people to come into the store every day they do so much business on a 5,000 customer basis.



*By Mr. Young:*

Q. Would you mind reading that letter again; maybe I did not catch it?—A. "Edmunds and Walker of New Westminster, a producing fish firm, ship to Campbell and Griffin, cold storage plant, a carload of frozen fish for a department store to be drawn from by them at their convenience. . . ." Now, of course, that is the convenience which they get and nobody else gets. If anybody had a carload of fish come in they would have to unload their fish and let the car go. The department store gets the privilege of drawing from that car at their convenience.

Q. Could the wholesaler not get the privilege?—A. No. ". . . they shipped this car to them at the same price as ourselves and other wholesalers would have to pay for it. Consequently the department store sold the majority of this fish retail for less, in most cases, than we or other wholesalers could sell it to the retail butcher or restaurant in the city on a wholesale basis for them to resell."

Q. There is nothing there about loss leaders?—A. You are asking if they were buying fish on the same basis why could they not sell it on the same basis.

Q. Yes.—A. The wholesaler has got to sell it to the independent merchant, and he has got to get something for the handling of it; and the department store—they get a carload shipped and they say: draw from that car as you want it. It is on the car.

Mr. HEAPS: The fish was not sold at a loss?

The WITNESS: It might have been. It did not have to be sold at a loss. It was sold at a price to the consumer which the wholesaler could not sell it to his own customers at.

Mr. FACTOR: It is only the usual complaint where the large store obtains merchandise at the same cost as the wholesaler paid for it.

The CHAIRMAN: This case does not prove a loss leader; it does not support the loss leader contention, does it?

The WITNESS: No.

Mr. YOUNG: It indicates that the wholesaler cannot actually handle those goods for the wholesale cost whereas they can be handled retail by the department store. It looks like incompetence on the part of the wholesaler to me.

The WITNESS: I would like to ask you, Mr. Chairman, what you would take from that ad just as it appears there? (referring to two trouser suits).

Mr. FACTOR: You had better give us your impression; ours will come later.

The WITNESS: Would you take it that that garment was sold at the price stated there?

*By Mr. Factor:*

Q. Two trouser suits at \$23.50?—A. Is that what would strike you?

Q. Yes, from the headlines?—A. If you look further you will see that the extra pants cost an extra \$5.

*By Mr. Parry:*

Q. You are producing a page from the Calgary Daily Herald dated Wednesday, February 28, 1934?—A. Yes.

Mr. FACTOR: A one trouser suit cost \$23.50 and the extra pair of trousers cost \$5, and the form of the advertisement leads the public to believe they get the whole of it for \$23.50.

Mr. YOUNG: What would the public reaction be? If you go into a store to buy a suit and two pair of trousers for \$23.50 and they tell you they want an extra \$5, what do you do?

Mr. ILSLEY: Your point is that it gets them to the store by misleading advertisement. I think that is absolutely correct.

The WITNESS: It gets them to the store.

*By the Chairman:*

Q. It takes skilled salesmen to get the deal over?—A. Now, there is one point in advertising I would like to mention—

Q. Of course, there is one thing you might note as to this ad—I am not now naming who it is, but it is an illustration—it says here: "Of fine old country materials, Harris tweeds, English and Scotch tweeds, Irish tweeds, Botany serges" and so on. Then it says here, "You may select any style of suit you desire, choose the material from over 100 patterns . . ." It would indicate that everybody could choose Harris tweeds. The question is, could they? However, the point you indicate here is that there is misleading advertisement and deception?—A. Deception.

Q. In that ad?—A. Yes. That is the point.

Q. We will examine it carefully.—A. There is another ad here. It is said that he went east and bought 3,500 new spring frocks, and he goes on to say that these frocks are worth regularly \$8.95 and he is going to sell them for \$3.90. Now, Mr. Chairman, he is not going to do anything of the kind.

*By Mr. Parry:*

Q. You are reading from a bulletin named "The Shopper" published in Calgary on the 14th day of February of this year?—A. Yes.

*By Mr. Factor:*

Q. Are you going to file with us some suggestions?—A. With regard to what should be done?

Q. Yes, some remedies proposed by your association?—A. I would be prepared to do that.

*By Mr. Young:*

Q. Now, Mr. MacKay, can you give us any idea of the extent of the danger to the retail trade of these chain stores, mail order houses and department stores—how much of your business have they taken away?—A. Oh, that is rather a difficult question to answer just in that way, Mr. Young; but I would say that there are indications that are now very obvious that in a very short time they are going to take it all away. We are faced with the danger of passing out of the picture.

Q. We all know that business has largely disappeared anyway of late. What business have they taken from you which would show in a corresponding increase in their own figures?—A. Well, I think it is quite easily recognized by virtue of the number of chains that have come into the picture. It must be a profitable business for them or they would not keep on opening up and expanding their business.

Q. This inquiry has developed into a struggle between two different methods of merchandising. You have on the one hand the wholesale and the individually owned retailer, and on the other hand, you have the chain store. In order to meet the competition of the chain store, the retail merchants organized themselves, in some cases, into voluntary chains of their own. That was your first answer?—A. Yes.

Q. There you ran across this difficulty, the manufacturers would not supply you with goods in some cases. What is your answer to that? What steps have you taken to overcome that difficulty?—A. Well, we have not been able to take any step, because unfortunately the retailer by virtue of his position, has no



say in anything. He is the victim of circumstances. If we were organized or had the recognition that we feel we are entitled to we might have some say as to just what the manufacturers' policy should be.

Q. If you had an alternative market, if you could just go and buy, would not that bring them to their senses?—A. Yes, but we have not that privilege.

Q. You have not got that?—A. No; we have no privilege to do other than what they say we must do.

Q. Then, there is another point. I have been reading something about those chain stores. I understand they have more than the advantage of mass buying over you, they also have the advantage in selling. That is to say, they have been able to reduce selling costs to a greater extent than the individual stores. Is that so?—A. No; I do not think that statement is correct.

Q. That is not correct?—A. No. I do not think either the departmental store or the chain store has got anything on the independent merchant insofar as his cost of operation is concerned.

Q. Can you give us any idea as to the difference in the cost of handling goods by these two different systems?—A. The difference in the cost of handling goods?

Q. Yes. That is to say if the chain store can take the goods from the producer to the consumer at, we will say, an advance of 25 per cent, what would it cost under your system of wholesaler and retailer?—A. Well, Mr. Young, we are not holding any brief for any other factor in this retailing of merchandise, other than ourselves. If you, in your good judgment and wisdom, feel that there should be certain recognized factors in the general distribution, with economy in view, that is what I think should be done. Just to define, why for instance should the departmental store as a retailer be privileged to be also a wholesaler, and a manufacturer without recognizing the cost of manufacturing the goods, and wholesale distributing of the goods, and the retail selling?

Q. Here is the point Mr. MacKay: the object of all commerce is to get goods into the hands of the people, the community at large. Now, there was a time when we carried them in ox-carts from one part of the country to another. That was displaced by something more up to date. The question is, is the old system of handling goods through wholesaler and then retailer becoming obsolete; is it being displaced by a more efficient system?—A. No.

Q. It is not?—A. Not in my opinion.

Q. In your opinion, then, the wholesaler—A. Because you have reached the point in this question, as I see it, where distribution is now becoming the question of the future of the state. You can do certain things. You can wreck other things by allowing those things to continue further. I would be prepared to go this far. If in the opinion of this committee, after their investigation, you find just what Mr. Young has referred to to be the case, I would say it would be a kindness to the retailer to put legislation on the statutes of the dominion that will put us out of business. Do not allow us to be slowly tortured to death. Put us out. If you come to the conclusion that the department store is what the people want; if you arrive at that point in your thinking, as to whether or not that is going to be in the best interests of the state, and you are going to put the independent stores and the families of the independent merchants out of business, where are you going to arrive at? You can visualize that yourself, Mr. Young.

Q. Yes, but we have to think of the people. The people are going to buy where they can buy to the best advantage. I want to know if the retailer could put himself in the position where he could compete insofar as—

The CHAIRMAN: Mr. MacKay, can you compete with these so-called modernized methods of distribution to which reference has been made; can the



independent retailer compete with the practice of the loss leader, seductive and deceptive advertising, which is alleged, the weight of mass buying as disclosed in the evidence last week or the week before?

The WITNESS: I do not think so, Mr. Chairman.

*By Mr. Ilsley:*

Q. Well, following that up, can you compete if the discounts were all put on a purely volume basis; that is, for cash, so that there were no additional rebates such as you have mentioned?—A. Yes, so long as those volume discounts were not permitted to do just what they are doing now. That takes me back to Mr. Young's question. If this is going to be the principle under which we must carry on this business of distribution, buy in the lowest market and sell to the people at the lowest price possible, that is Mr. Young's contention. I think a moment ago you asked me the question if we could compete. I say, "No, as long as these factors come into the business, factors that will allow any one institution to buy merchandise at a price made by myself, and then permit him to sell it to the public at less,—

Q. I do not want to argue with you. You admit that a man who buys in volume and who is willing to pay cash is entitled to discount on buying in volume?—A. Yes.

Q. If that were done fairly; that is to say, every person or group of persons who could buy in that volume got the same discount provided he was a cash purchaser, too, would not that put you in a position to compete? It results in this, that the smaller retailer, who could only buy a little, would have to pay more, but couldn't he, by combination with other smaller retailers, and by voluntary chains and other forms of co-operation, put the retailers of this country in a position to compete and at the same time give recognition to what is admitted to be a sound principle?—A. I think so.

Q. Yes. If you cut out the loss leader and false advertising, which is unethical, and put your purchasing on the basis that I have just mentioned, perhaps the independent retailer could continue to exist.

The CHAIRMAN: The more efficient ones.

The WITNESS: There is no doubt this false advertising is probably the greatest factor.

The CHAIRMAN: Deceptive.

The WITNESS: That is detrimental to the situation.

*By Mr. Kennedy (Peace River):*

Q. In regard to loss leaders, you mentioned a case, I think, of a price submitted by a traveller at Grand Prairie. This traveller mentioned a group of 100 articles that the departmental store sold. How much of that group did they employ as loss leaders?—A. It varies, Mr. Kennedy, very much.

Q. They did a large volume of business, a large percentage, at least?—A. Yes. The unfortunate part of the department store is, in so far as the public is concerned—I was going to say the unfortunate part of the matter which has been referred to by Mr. Kennedy is this: when the loss leader is used the individual of the buying public going into the store has the impression that because a certain nationally advertised line is sold at a loss, the same is true of all lines which is not the case.

Q. If they are losing on a certain percentage of their business, do they make it up on the rest?—A. Yes, to a very large extent.

Q. Do they, on the average, sell at a lower price than the average retail merchant?—A. No.

Q. On the lower lines?—A. No, I do not think so.

Q. Your contention is this, that if we abolished the unethical practice about which you are complaining, prices will not, in general, be raised?—A. I do not see any necessity of that, Mr. Kennedy, because you do not have to raise prices of the commodity unless by what you are doing raises the cost of operation, and I do not see why there is any necessity of raising the cost of operation.

Q. The stores that are using the loss leaders must be charging a greater profit on the balance of the stock—A. I would think so.

Q. —than the competing merchant who is using no loss leaders.—A. It naturally follows that a lady, when she is buying a tin of salmon or a sack of sugar or a bottle of ketchup, it is the same in every store. She knows she is not taking any chance when she saves a five cent piece here or there. But when she goes to some of the other departments, and she is buying something of a different type, as drugs or jewellery or chinaware or something, that is the time they get it back.

Q. Can you submit any actual illustration of the prices of other commodities where the department and chain stores are charging more in order to offset the loss on loss leaders?—A. I could; I have not got them here, but I could get it.

Q. I think that would be a good thing.

*By Mr. Heaps:*

Q. How is it that department stores advertise that they would give you your money and 7 per cent if you can buy goods at a lower price?—A. Why do they? I didn't get that.

*By the Chairman:*

Q. He is referring to the guarantee which some stores use, that if you can buy anywhere else at a less price they will refund your money, with 7 per cent?—A. That is just another card they are playing to try and get public sentiment behind their particular business.

*By Mr. Factor:*

Q. Do they actually do that?—A. Yes, it has been done in the city of Edmonton by the Army & Navy store; they have the same racket there.

*By Mr. Young:*

Q. You spoke about some \$40,000,000 outstanding; I would judge that one of the biggest handicaps under which your people work is the fact that they have given credit?—A. Yes; but not because they want to.

Q. What does that cost you? What percentage would that add to the price of the turnover?—A. Well, I would not say it would add anything to the rural business; it might add to the city.

Q. But you cannot sell goods for the same price if you are going to lose half of your accounts or 25 per cent of them?—A. I would like to show you some of the merchants' records for the country, where you would be surprised. You would be surprised.

Q. I think you will say this, that if a merchant knew he was going to get cash for all his goods he could sell much cheaper?—A. Decidedly.

Q. What percentage of the price of the goods does it cost him, from the fact that he knows he has to give credit?—A. Well, I still say in answer to that, that in the rural parts of the province I don't think it makes any difference; but in the cities where there are credits issued on a different basis—that is these departmental stores operate a credit business in the city, and most large firms do—

*By Mr. Factor:*

Q. They charge extra for that?—A. They charge extra for that; that is what I say, carrying charges; but when the farmer comes in to buy from the merchant on a credit basis in the country, I do not think the merchant gets anything for the privilege that he is extending.

*By the Chairman:*

Q. The question is what does it cost? Put it this way, if a country merchant sold substantially all his goods, we will say, on a credit basis, he would have to buy on a credit basis or else have a heavy capital to carry that quantity of goods that he has bought on credit, upon which he would have to pay interest? Is that not correct?—A. That is right.

Q. Therefore he could not sell his goods as cheaply on credit as he could if he had a strictly cash business?—A. Oh, I do not think that a credit basis—it might make a difference of 5 per cent.

Q. You don't think it makes much difference?—A. No, I don't think it makes much difference, not in the rural part.

The CHAIRMAN: It is one o'clock, gentlemen. Thank you, Mr. MacKay, you have been very kind.

The WITNESS: I want to thank you, Mr. Chairman, and the members of the committee for this opportunity.

The committee adjourned at one o'clock, to meet on Thursday, March 15, at 11 a.m.



HOUSE OF COMMONS, ROOM 368,  
March 15, 1934.

The special committee appointed to inquire into price spreads and mass buying met at 11 o'clock a.m., the Hon. H. H. Stevens presiding.

Mr. Norman Sommerville, K.C., of Toronto, and Mr. W. W. Parry, K.C., of Toronto, appeared as counsel for the committee.

The CHAIRMAN: Order, gentlemen. The minutes of yesterday contain the usual record of the witness that appeared, the exhibits that have been filed, by number, and the corrections in the previous minutes at the request of Mr. Moore. Is there any question regarding the minutes? If not, we will declare them approved.

Mr. SOMMERVILLE: The first witness is Mr. Doyle, of Nova Scotia.

J. CUTHBERTSON DOYLE, called and sworn.

*By Mr. Sommerville:*

Q. Mr. Doyle, you are secretary of the Retail Merchants' Association of Nova Scotia?—A. I am, sir.

Q. And as such, you have certain views that you desire to present to the committee on behalf of the retail merchants of Nova Scotia?—A. Yes.

Q. Will you just kindly present those views?

*By the Chairman:*

Q. Before you start, are the statements that you make in this presentation of your own knowledge?—A. Yes.

Q. All right. Will you proceed?—A. Yes.

To the Honourable H. H. Stevens,

Minister of Trade and Commerce, and Chairman of the Special Committee on Price Spreads and Mass Buying, and to the Members of the Committee, Ottawa.

SIRS,

On behalf of the retail merchants of Nova Scotia, I wish to thank you for the opportunity afforded of reporting their views on mass merchandising practices and the effect upon the individual retailer, community life and the consumer. It was my intention to deal with this matter in greater detail but, after hearing the comprehensive reports presented to your committee by those who have preceded me, I feel that considerable time of this committee can be saved and repetition avoided by being brief, as, in the main, conditions in Nova Scotia are essentially the same as those already outlined in detail by the witnesses from other provinces.

My personal experience in the retail field extends over a period of thirty-five years, the last twenty of which have been in association work. During this period I have been in constant and direct contact with all sections of the retail trade and have thus acquired first-hand knowledge of their grievances, as well as of our joint endeavours in seeking satisfactory solutions thereof, through the medium of equitable legislation or such other channels as would provide fair and just remedies and ensure sound trading policies.

Immediately upon receipt of your telegram kindly inviting me to appear before your committee, meetings were arranged in Halifax, New Glasgow and Sydney for the purpose of securing as much authentic information as time would permit, and simultaneously a letter and questionnaire were prepared and sent to a number of representative retail merchants in our province. This questionnaire contained the four following questions:—

1. What are your views on mass merchandising practices and what effect has this had on your business?
2. What effect has present mass merchandising practices had on the community life in your place of business, and your immediate neighbourhood?
3. What effect has present mass merchandising practices had on the consumer?
4. What suggestions have you to make to remedy or correct these unethical practices?

In the short time at their disposal, many of the merchants were unable to give this very important matter the careful consideration it rightfully deserves. The replies received to this letter and questionnaire are obviously of a confidential nature; nevertheless, they reveal the very serious conditions prevailing in Nova Scotia, and they are herewith submitted for the information of this committee as an integral part of this brief.

These answers also reveal the various systems employed by departmental and chain stores, particularly in their advertising methods, to be detrimental to all classes of retail merchants; and, if allowed to continue, will eventually eliminate independent, individual retail merchants, and thereby undermine and seriously impair community life, which is so essential to the general well-being of the people, and to a moderate and more evenly distributed prosperity, with consequent greater contentment. Elimination of the individual merchant obviously reflects adversely upon the community, through loss in taxation and depreciation in value of real estate, merchandising stocks and other community assets, as well as by the withdrawal of money from circulation in such communities, which money is the indispensable commercial life-blood essential to the permanent upkeep, life and welfare of every community.

The constant suction of money from these communities means, in the final analysis, their ultimate impoverishment. On the other hand, the accumulation and concentration of this money in the hands of a comparatively few, principally in larger centres often far removed from the community, has no real compensating advantages to offset the widespread damages resulting from the exploitation of the general consuming public which makes up our community life, and, therefore, cannot be in the general and best interests of Canada, since it does not and cannot give the greatest good to the greatest number.

The retail merchants of Nova Scotia have, in common with other provinces, suffered seriously from these unethical conditions and practices for many years, and have exhausted every reasonable means at their disposal to find a practical solution of the whole merchandising problem in all its various complex phases. The ultimate solution of this problem, in order to be enduring, must be at once just, fair and equitable, to labour, producer, manufacturer, wholesaler, retailer and consumer alike—in other words, the adoption and practice of a "live and let-live" principle.

Up to the present time, however, no such permanent satisfactory solution has been found, and while it has been the consensus of opinion of representative merchants in Nova Scotia that the merchandising problem should not be unduly restricted in its complex operation and exchange of commodities, it is recognized, however, that certain abuses have become so intensified, and are so deeply-



rooted, that apparently no power outside of the government itself can successfully correct and eliminate the unethical practices now undermining and demoralizing the whole commercial and community life, not only of Nova Scotia but of the country as whole.

In these circumstances, therefore, it is needless to say, Mr. Chairman, that the retail merchants of Nova Scotia welcome and appreciate very much indeed this opportunity of herewith presenting to yourself and members of this committee these humble views on this important subject now under investigation.

As tangible evidence of the great concern of the retail merchants generally in our province, it is only necessary to examine the numerous replies to our questionnaire. Time will not permit reading all these replies; I would, however, respectfully request your permission to read a few which are typical of the sentiments expressed, and of the deep sense of injustice felt throughout our whole province on this very vital issue.

Due to the far-reaching ramifications of this whole subject and of the remedies necessary to rectify the existing strongly entrenched evils, the retail merchants of our province would prefer giving this matter deeper thought before suggesting to this committee any concrete curative measures, and to this end I respectfully request permission to supplement this brief at a later date with such proposals and recommendations as, in our opinion, will be most beneficial in assisting this committee to reach its conclusions, from which we hope and believe a fair and equitable standard of national merchandising practices will become the law of the land.

All of which is respectfully submitted.

Very sincerely yours,

J. CUTHBERTSON DOYLE,  
*Secretary, Nova Scotia Provincial Board,  
The Retail Merchants' Association of Canada.*

*By Mr. Sommerville:*

Q. You were going to read a few of the answers to the questionnaire, as samples?—A. Yes, just to confirm what I have already stated. (Exhibit 59). I hold in my hand here a report from one of the largest general store merchants in Nova Scotia, residing, I suppose, something in the neighbourhood of fifty miles from Halifax. He, at one time during the war, I know, had done a business of over \$300,000 turn-over, so he is a pretty good-sized merchant.

The answer to the first question, What are your views on mass merchandising practices and what effect has this had on your business, was:—

Mass merchandising has in many cases forced the individual retailer to drop many of the specialties on which the larger profits are realized, and by their superior buying power compelled the independent retailer to sell staple merchandise at a margin of profit scarcely sufficient to take care of his overhead. The effect on our business has naturally been less than if located in a large centre, but the facilities for travel are so much improved over those of former years, that we cannot escape the effect of the mass merchandising competition.

The answer to the second question, What effect has present mass merchandising practices had on the community life in your place of business and your immediate neighbourhood, was:—

The life of any community is so bound up with its central elements, and is influenced so largely by the activity of its central organizations, such as stores, its banks and other institutions, that anything that tends to divert the natural business of the community from these institutions has a demoralizing effect on community life.



The answer to the third question, What effect has present mass merchandising practices had on the consumer, was:—

The consumer is naturally attracted by cut prices on the advertising circulars of the mass merchandising establishments, and he gets the impression that because a few items used as leaders and sold at cost or less, are offered at lower prices than the local store, therefore the local store is charging too much for all his requirements; and he is led to make a list of his needs and get them supplied from the larger houses, very often at an aggregate cost greater, when freight and other overhead is considered, than these goods would have been supplied by the store in his own locality.

Then, to the question, "What suggestions have you to make to remedy or correct these unethical practices," the answer was:—

Perhaps the cure will be found more along economic than legislative lines. Mass merchandising is in a position to dictate prices to the manufacturers which compels the independent retailer to carry the manufacturer's overhead, thus placing him at a great disadvantage. In dealing with this matter a few years ago, we encountered difficulty with the Combines Act. If a system could be inaugurated by which a uniformity of cost could be secured, it would go far to solve the difficulty. Mass merchandising contributes nothing at all to our community enterprises, and the system which has grown up in recent years has substantially increased the burden of those who must accept these responsibilities.

I am now going to give you the information received from one who has for years advertised a real country store, and who a few years ago was in a fairly prosperous condition. The answer to question No. 1, was:—

Mass buying by the larger retail department stores has placed me in a position where I cannot compete with mail order prices. Although I pay cash for my wants by borrowing at times from the bank, we independent merchants can sell the goods if we only can compete with mail order prices. I have been trying for years to buy to compete and no success. I am at the stage now unless a change happens very soon going to get out of the game or I'll be forced out whether I wish it or not.

The answer to question No. 2, was:—

Our customers in majority of cases feel we merchants are not the people to spend their cash with, and can you blame them, when we have to pay wholesale for our goods in some cases actual retail catalogue prices. Never can we make overhead expenses of about 16 per cent selling to compete with catalogue retail prices.

The answer to question No. 3, was:—

The consumer buys from the independent local merchant only when he requires goods on the spur of the moment, and when he arrives home and compares prices it sure gets him thinking that we are very poor buyers or else we are out to make an excessive profit.

The answer to question No. 4, was:—

Offhanded I would say if the manufacturer wishes the independent merchant to stay in business, make arrangements with merchants that they, the manufacturers, are willing to sell for cash prices sold to mail order houses and chain stores.

That is sufficient on that. We have here largely a repetition of this from every section in the different lines, boots and shoes, et cetera.

Q. Will you file this with us?—A. Yes.

*By Mr. Ilsley:*

Q. I think what we would be more interested in is just a little description of the retail business in Nova Scotia; how many department stores are doing business in Nova Scotia?—A. When I went to Nova Scotia first, of course there were none. That is about eighteen years ago. Later, probably about ten years ago, there was established by the T. Eaton Company in Moncton a large distributing centre for mail orders, and the retail stores as well.

*By Mr. Sommerville:*

Q. That was first?—A. That was first.

*By Mr. Ilsley:*

Q. That was the first one in the maritime provinces, was it?—A. Yes, as far as I know that was the first. The second was the Robert Simpson people who located outside of Halifax, in what is known as Armadale. Some say it was to save—

*By Mr. Sommerville:*

Q. Well, in any event they located just on the outskirts of Halifax?—A. On the outskirts of Halifax, and they carry on also a mail order house business, and as well a retail store. Later, the department store we had in Halifax operated by Mahons Limited for a great many years, was taken over by the T. Eaton Company; they tore down the building then occupied and built a magnificent building to the credit of the place, in which they carry on a retail business on the corner of Barrington street and Prince.

Q. That was how soon after the Simpson building had been erected?—A. Not very long. I just forget how long.

Q. That is, however, since 1924?—A. Yes. Combined to that fact, the T. Eaton Company put a branch in Sydney, took over the Merchants & Sons of Sydney, and also Glace Bay. They have also now gone into what is known as Canadian Stores.

Q. Canadian Department Stores?—A. No. They just call them Canadian Stores, operated by the T. Eaton Company.

*By Mr. Ilsley:*

Q. That is a chain?—A. Well, just like a chain, in which these stores are located practically in every town of any importance in Nova Scotia.

*By Mr. Factor:*

Q. What do they deal in, general merchandise?—A. They largely deal in groceries and provisions. They also have their mail order house catalogues there, to be able to solicit at any time and take orders for the mail order house.

*By the Chairman:*

Q. They do not keep a general stock at all?—A. Not of general merchandise; no, not that I know of. The principal thing is groceries and so on; so that by that means and their advertising method they get a large number of people coming in and they are facilitated in selling their orders by somebody there to look after them.

*By Mr. Sommerville:*

Q. In these Canadian Stores where they do not carry a general stock of merchandise, they have somebody who does look after selling by the catalogues?—A. Yes.

Mr. FACTOR: The Canadian Stores do carry a stock of groceries?

Mr. SOMMERVILLE: Yes, not general merchandise.

Q. Foodstuffs, largely?—A. Yes.

Q. In addition to the departmental stores of the Canadian Stores, have you order offices in still smaller communities in Nova Scotia?—A. Well, I imagine so, but I would not say so.

Q. Then you have these three systems, two large stores in Halifax?—A. Yes.

Q. The mail order house in Halifax, the Canadian Stores in larger towns where they sell both over the counter and by mail order as well?—A. Yes.

*By Mr. Ilsley:*

Q. There are two department stores in Cape Breton island?—A. Yes.

Q. One in Sydney and one in Glace Bay?—A. Yes, one in Sydney and one in Glace Bay. Of course, we also have the corporation chains as well. I might say that I brought to the attention of the merchants some years before that it was time they got a move on, because sooner or later there was not any question in my mind but that these large businesses would be located, and they would have some difficulty from the experience I have had in the past; but they did not think that that was possible; they thought they would not like to go to a small place like Nova Scotia.

There was a survey made by a large number of chain store systems in the Province of Nova Scotia with the idea of expanding their business there. At that time, when I heard about these things, I got the merchants together and told them something had to be done if they wanted to off-set this and protect their future, that they had better get busy. Meetings were called from time to time and we thought of various things, and I got in touch with some people in Toronto who knew about this thing, and they said that the only thing to do was to form some group by which it would be possible to offset their system of advertising, and to be able to hold their own.

*By Mr. Sommerville:*

Q. That was to be an advertising group?—A. Yes. We then formed up and I was largely instrumental in getting the establishment of the Superior Stores in Nova Scotia.

*By Mr. Ilsley:*

Q. That is the name of the chain, is it?—A. The Superior Chain Stores.

*By Mr. Sommerville:*

Q. They are individually owned stores?—A. Individually owned stores, made up of the various merchants.

*By Mr. Heaps:*

Q. How many were there, Mr. Doyle?—A. I would imagine about 40 altogether.

Q. Have you any idea of their capitalization?—A. They are just simply linked up with some wholesaler and pool their interests.

*By Mr. Sommerville:*

Q. For the purpose of buying?—A. For the purpose of buying, and for advertising as well.



*By Mr. Factor:*

Q. Do they buy direct from the manufacturer, or do they buy through the wholesaler?—A. No, they are using a certain local wholesaler to buy, and then they get I think some consideration from the York Trading Company in Toronto.

*By Mr. Sommerville:*

Q. And thus by linking their buying power together they are able to get a better price from the wholesaler?—A. A little better price from them, yes.

*By Mr. Young:*

Q. Do they ever try to get along without the wholesaler; buying direct?—A. Well now, there is a lot to be said in connection with that matter. Our recent systems of the promotion of the sales of goods in general depends largely on the class of goods they are. Clothing houses, and all that kind of thing—Gent's Furnishings, and so forth, have gone over the wholesale and go direct to the trade, so that it depends on circumstances. In groceries it is a little bit more difficult to handle. A few years ago we thought we had the solution of this problem; that was the indication of the Fair Trade policy which we thought was going to work all right, and we tried to get it established here. We had a meeting held in Toronto and reviewed the whole situation, and at that time Sir Wm. Glynn Jones was asked to come over here in order to establish that kind of a system; similar to what they have established in Great Britain.

*By Mr. Edwards:*

Q. Was that the P.A.T.A.?—A. That was the P.A.T.A., which the officials practically designated as a combination in restraint of trade—I could never see why though.

*By Mr. Sommerville:*

Q. But they dealt with drugs alone?—A. No, it was not intended to deal only with drugs.

Q. It was the intention to extend it to other commodities; but the P.A.T.A., as alone, only dealt with drugs?—A. That is correct. His idea was to extend it to all merchandise. No later than yesterday I met one of the prominent travelers in connection with one of our large industries, and he was saying that the system in England, that the retail trade in general—the independent retailer—was not developing there to the extent that it was here; and the answer I made was that I thought he would find on investigation that the system has been regulated, and prices are maintained.

*By Mr. Ilsley:*

Q. By this arrangement the sale price to the consumer was maintained; that was the idea, was it?—A. Yes. I think myself—if you will allow me to go ahead—

*By Mr. Factor:*

Q. You say that prices are maintained in England?—A. Well, there is an understanding made with the manufacturer, the wholesaler and the retailer; and the factory, and the consumer I understand are brought in, and they have all these divisions; and the manufacturer produces his costs, and is adding to that his overhead—at least his profit—and then the General Store and the wholesaler comes in on the talk and he charges his amount; it might be probably eight or ten per cent—five or eight or ten per cent.

*By Mr. Edwards:*

Q. But, Mr. Doyle, is it not a fact that the P.A.T.A. is recognized as a legal institution in England, and as an illegal institution in Canada?—A. That is correct, that is simply due to our legislative system.

Q. The principle of the manufacturer fixing the resale price on his product is a perfectly legitimate process in the Old Country?—A. Well, yes, and that particular thing is the only thing that you can get done—where the manufacturer puts a price on articles such as Gillett razors, or for instance Gillett's goods—Magic Baking Powder, and such things as that—where the manufacturer puts the retail price on under which nobody can sell these goods at less, otherwise the goods are removed from the shelves.

*By Mr. Ilsley:*

Q. I thought that only applied to standard products to consumers?—A. That would largely apply to standard lines; these are nationally advertised articles.

Q. Nationally advertised articles?—A. Yes.

*By Mr. Edwards:*

Q. Not necessarily nationally advertised?—A. Not necessarily, these are the goods that have been utilized by these large stores to get business.

Q. As loss leaders?—A. Yes, I think that is what you call them.

*By Mr. Ilsley:*

Q. I wonder what proportion of the total merchandise of the country is made up of that class of article; perhaps that is an indefinite question?—A. That would be pretty hard to answer.

*By Mr. Sommerville:*

Q. Have you got the questionnaires you were going to file with us?—A. These are the rest of them.

*By Mr. Young:*

Q. You did not finish your description of the deal. You were telling us how they fixed these prices in England. You said the manufacturer fixed his price, and the wholesaler agreed to add his profits; could you go on from there?—A. That is the system, that is how it operated; the retailer added his profits, and the retail price was then the regular price.

Q. Then the consumer comes in; what does he do?—A. He pays the retail price.

The CHAIRMAN: Mr. Young, might I interrupt. I have sent around to each member of the Committee the Sankey report. It is very illuminating on this whole subject, and it is put forth very clearly. May I just add this one point; in that report he says that they find that the consumers did not object to the prices because usually under that system they were fair. That was the point that the report made; but the report will give you the fullest information on that practice, and it also describes the local situation very thoroughly.

Mr. SOMMERVILLE: That is the report of a parliamentary committee.

*By Mr. Ilsley:*

Q. You were starting to tell about your efforts, and the efforts of the merchants of Nova Scotia, organizing these individual voluntary chains?—A. Yes.

Q. How did they get along?—A. I may say for your information that I was secretary of one of these groups. At the start we tried it with the packing

houses. We would meet on Monday night and the packing house agent supplied us with quotations for various things—butter, eggs, lard, meats, and so on. We found in the early stages that the packing houses seemed to be competing against one another for a time; and usually we did what was the natural thing for us to do, took the lowest price. Later on, however, we found that we were up against a stone wall inasmuch as it finally became the consensus of opinion of the committee that the packers must have just simply got together and just made up a uniform price; there was so little difference that it did not matter; so finally we gave each one a fair share of the trade. That is about what it amounted to.

*By Mr. Kennedy (Peace River):*

Q. Who were the packers?—A. Oh, Swift Canadian, Canada Packers—all of them.

*By Mr. Ilsley:*

Q. You were talking about the chain known as the Superior Stores; are these stores all in Nova Scotia?—A. Largely in Nova Scotia, some are in Cape Breton.

Q. There are some voluntary chains which extend all over the Maritime Provinces, are there not? I am asking for information?—A. I do not know of any one that does that.

Q. Do you know how many voluntary chains there are?—A. Well yes. There would be the British Empire Chain, and there is Acadia Chain of Halifax—privately owned, of course.

Q. Yes?—A. And then they have the M.M.A., which is operated from St. John.

Q. That is the Maritime Provinces chain, is it not?—A. So that these would be the principal chains.

Q. Do you know how many stores, individual units, are represented in these voluntary chains?—A. No, I have never made a summary of them.

Q. You do not know how that number compares with the total number of retail stores operating in the maritime Provinces?—A. Well, you see, if you were a merchant on a certain corner and the Superior Stores got you, you would not want another Superior Store next to you.

Q. No?—A. Do you see the point? You have to be fair in that respect, and try to get just here and there so as to give them each a fair chance to get fair trade.

Q. I notice these Superior Stores everywhere I look in Nova Scotia; I am glad to know that they are voluntary chains, I did not know whether they were or not?—A. Outside of Dominion Stores, and these Canadian Stores I think they are largely made up of individual retail merchants.

*By the Chairman:*

Q. You are speaking now of the Maritimes only?—A. Yes, only of the Maritimes. In Cape Breton they took over a wholesale that was operating there; one of the largest wholesale houses; and they practically own the control—they soon own the whole thing.

Q. Who will?—A. The Superior.

*By Mr. Sommerville:*

Q. That is a voluntary chain?—A. That is a voluntary chain.

*By Mr. Ilsley:*

Q. Could they buy as advantageously as the department stores, or the corporate chain stores?—A. It is quite obvious that they cannot.



Q. Why?—A. That is borne out by the fact of their advertising, which is done at below their cost; as to whether they are just made up of loss leaders or not I do not know.

Q. There are authorities on this subject who seem to think that the voluntary chain is the hope of the merchandising business?—A. There is no question about that in the world. You see from that system if you have a Superior Store operating in one particular place, you would need to have another one operating, you understand, under a different name—to give them different names; otherwise your advertising for the Superior Stores would not be as effective as it otherwise would be.

*By Mr. Factor:*

Q. These voluntary chain stores, you told the committee, buy from wholesale houses?—A. They are linked up with some special wholesale houses, and by pooling their orders, they are supposed to be able to get better prices.

Q. Why can they not buy direct from the manufacturers or the producers?—A. Well, groceries can hardly be handled in that way; they are bulky, and then, of course, demand is for immediate use, you see, and this has to be met regularly.

*By Mr. Young:*

Q. Do the corporate chains buy in that way, or do they use warehouses—how do they do?—A. The controlled chains, do you mean?

Q. The corporate chains?—A. I am not just in a position to state how they would buy.

Mr. SOMMERVILLE: I think we will be able to show that they all have their own warehouses.

*By Mr. Young:*

Q. They all have their own warehouses?—A. They all have their own warehouses, yes.

Mr. YOUNG: They don't buy direct from the manufacturers.

*By Mr. Sommerville:*

Q. They buy direct from the manufacturers and use warehouses for distributing centres?—A. That is correct.

*By Mr. Ilsley:*

Q. Do you find there is a tendency on the part of many consumers who have motor cars to go to Halifax just because it is a principal centre, and the stores there are attractive?—A. Yes, they find a lot of attraction there; there is no question about that. When I came here I wired to Sydney and some of the merchants there have given me a little more authentic information on these matters, and I am handing this over for the committee.

*By Mr. Sommerville:*

Q. These appeared in the newspapers and they show a series of advertisements featuring loss leaders?—A. Yes, together with duplicate invoices from the wholesale showing the price that was charged. Now, these make a very full case, so I will just simply hand them over, if you don't mind, because it would take too long to read them all. (Exhibit 60).

Q. These are all samples of the sale by chain and department stores of goods at less cost than it is possible for the independent individual to purchase them?—A. That is correct.

*By Mr. Heaps:*

Q. Have you any idea what the department store paid for that class of goods?—A. No, I have no way of finding out.

*By Mr. Sommerville:*

Q. In connection with these you are complaining about the loss leaders?—A. That is right.

Q. In your advertisements have you also had complaints as to false or misleading advertising?—A. Well, they have done so time and time again—complaints from the merchants themselves; yes.

Q. And these are filed as indicative of that?—A. That is correct.

Q. Thank you, Mr. Doyle?—A. I do not know that there can be very much more said. The others preceding me have taken up the thing and dealt with it in detail, and we have exactly the same problem, only I think it is intensified there because of the fact that our population is small and any additional business coming in there makes it all the more difficult for us.

Q. I suppose you find that taking away business from your province to a central group is injurious to the province?—A. That is correct. In travelling Nova Scotia in the early days when I went down there first there were a lot of prosperous merchants all around; in every store you would see the shelves filled with a well arranged assortment of merchandise.

*By Mr. Factor:*

Q. We were all prosperous five years ago?—A. There are other things which enter into it that make it much worse, it is not only the economic conditions we are up against; it is these other conditions, and the result is that every place you go you will see merchants—I have in mind one place where there were five merchants, dry goods and general merchants, and to-day there is only one left.

Q. In one town?—A. In that small town in Cape Breton. So in general we find the Chain Stores have eliminated them one after another.

*By Mr. Ilsley:*

Q. Then you are against this loss leader practice?—A. There is no question at all about it, that it is the big lever that is used to get business; there is no question at all. I do not suppose these department stores would have been able to build up the business they have if it had not been for that system.

*By Mr. Factor:*

Q. What suggestions have you as to the solution of this problem?—A. For one thing you will have to have standardization.

Q. What do you mean by that?—A. You may have a shoe made to look like a certain shoe, but that does not make the two of them the same, does it? They might put up a package of a certain size to look just like another package, but it might not contain quite as much as the other package. Now, if you standardize that package that would help to maintain prices on the sale of these articles.

*By Mr. Sommerville:*

Q. On the matter of solutions, in your brief you have intimated that your association is still considering that and hopes to submit something to the committee at a later date?—A. That is correct.

*By Mr. Heaps:*

Q. Mr. Doyle, there is just one matter on which perhaps you could give the committee a little information; could you give us any information as to the spread in price on a staple article such as a pair of shoes from the time

it leaves the factory until the time when a person actually purchases that pair of shoes?—A. Well now, I am not prepared to go into those details; there would be no difficulty in getting that information from those who manufacture shoes. They could supply you with that.

Mr. SOMMERVILLE: That is already being provided for, and we will submit that to the committee, with the scientific data accompanying it from the investigators' standpoint; that and other data will be dealt with when the time comes, Mr. Heaps.

*By Mr. Baribeau:*

Q. How many merchants are members of your association?—A. Well, the membership has been depleted considerably these last few years due to the conditions that exist. We are hoping that if this committee can establish something of a new order in merchandising, there isn't any question at all but it will be a great stimulus to the trade, and there is no doubt at all our membership will be largely augmented by that.

*By Mr. Ilsley:*

Q. Do you know of any instances of unethical practices by the departmental stores in Nova Scotia?—A. I would not like to go into all these details, but I have thought so myself at various times.

Q. Are there any instances of that included in the exhibits which you have filed, or not?—A. Well, they make the statement there, and in most instances they show the wholesale price, and other things.

*By Mr. Sommerville:*

Q. That is the object of the filing of these?—A. Yes, that is the object.

*By Mr. Young:*

Q. Do they show the wholesale prices?—A. Yes, they show the wholesale prices. There are duplicate invoices from the wholesaler to the retailer,

Mr. FACTOR: That is not answering Mr. Ilsley's question as to unethical practices.

*By Mr. Young:*

Q. Is there anything unethical or fraudulent?—A. You must remember, in a great many instances they have possibly the greatest system of building up, engaging the most expert advertising men I suppose the world can produce in all these things, and they can so arrange the advertising to look pretty attractive.

Q. Is there any misrepresentation in it?—A. I am not prepared to say that; I would not say that. I have heard that there has been by some people who have made inquiries.

*By Mr. Ilsley:*

Q. There has been a lot of evidence indicating that there is some unethical advertising going on by the department stores. You come here representing the Retail Merchants' Association of Nova Scotia. Are you able to give us any instances, or are you indicating that there aren't any to be given in that particular Province?—A. It would not imply that at all. It just means that you have to be careful of the statements you make, and you have to have something to go on, to base your opinion on.

Mr. FACTOR: Perhaps Nova Scotia is free of that.

The WITNESS: Well I imagine there is not so much of it done as in large centres like Toronto, and so on.



*By Mr. Sommerville:*

Q. I understand you came away without the advertising, and this has been forwarded to you since?—A. Yes, this came in yesterday. I asked that it be sent forward.

Q. So you did not gather up the advertising with a view to meeting that particular question of misleading advertising, did you?—A. No, I had not done that. My idea was in comparing prices, the wholesale price with the retail price of the goods and the advertising of loss leaders; it is an utter impossibility for the retail merchant in general to meet that competition.

*By Mr. Factor:*

Q. You mean loss leaders as compared with the price paid by the retailer to the wholesaler; you do not know the price the departmental stores paid for the same article.—A. No, we cannot find that out. I haven't any doubt at all that this committee by investigating thoroughly could probably get that information.

*By Mr. Sommerville:*

Q. With the advertisements which you have submitted, they will establish what you allege?—A. Yes.

Q. And you say that should be investigated?—A. Yes.

*By Mr. Senn:*

Q. Mr. Doyle, do you know of an organization within your Retail Merchants' Association known as the Retail Merchants' Underwriting Agency?—A. The Retail Merchants' Underwriting Agency?

Q. Yes?—A. Oh well, of course, we have an insurance department. Is that what you mean.

Q. Yes.—A. Oh, yes.

Q. Can you tell me something of the workings of that organization?—A. Well, it is purely a service that is covered by the Northwestern Mutual Fire. If a merchant's risk can measure up to their standard, why he participates, like in all other mutual companies, in the profits, so that they have paid back in dividends ranging from, I suppose, a million and a half throughout Canada and the United States.

Q. Can you tell me how the insurance is placed with this company; is it placed through the ordinary insurance agent in the local town?—A. Oh, no, it is placed largely through their own representatives. For instance, in my case, I am Provincial Manager of the Northwestern Mutual Fire as well as the acting secretary of the Retail Merchants Association because we linked up with them for service in an endeavour to help the retailer to get his insurance at cost and assist him in the difficult problem that he had.

Q. In other words, it is a system of mass buying insurance?—A. Well, no, that is not correct.

*By Mr. Heaps:*

Q. Are not your rates below the usual insurance rates?—A. It is similar to the system of life insurance; they are all doing the same thing. Life insurance did not become the factor it was or is until it was a mutual proposition in which the profits were distributed to the policy-holder.

*By Mr. Senn:*

Q. Mr. Doyle, you complain of the practice of mass buying, and say that it is detrimental to the individual retailer?—A. Yes.

Q. Is not the practice you are following with this fire insurance agency detrimental to the individual insurance agent?—A. No, I cannot say that.

Q. Perhaps you don't want to see it. It seems to me you are taking business away from the individual insurance agents in the town just in the same way as you are complaining of this mass buying taking business away from the retailer.

Mr. SOMMERVILLE: He simply says that in placing their insurance in that way it enables the retail merchants to still continue to do business.

*By Mr. Senn:*

Q. I would like to know just how it differs from the system which you are now complaining of.—A. There is a vast difference, it is a different thing altogether.

Mr. SENN: I certainly think, Mr. Chairman, that should be investigated.

The WITNESS: We will be pleased to give you all the information you desire.

*By Mr. Edwards:*

Q. Are you in a position to tell the committee what effect chain stores and department stores, where they are putting other stores out of business, have on property values and assessed values in the community?—A. Well, there isn't any question at all that every store that goes out the property stands idle and the values are gone; nobody wants to buy the property, because if a merchant perhaps had put every effort forward to do business and he failed, well, it isn't a very attractive proposition for anyone.

Q. How are the assessed values on these properties affected? For instance, a store is put out of business; it is assessed for a certain amount by the municipality?—A. Yes.

Q. Well, that store is put out of business, of course, there is no earning power; are the assessed values on properties such as that lowered?—A. The only thing to do—

Q. I mean from your own knowledge.—A. I was just about to say, the only thing to do is for them to go to the assessor and get a reduction in the assessment. In some cases they turn the property into apartments probably or private houses.

Q. If a loss of revenue to the city, town or village is caused, is the assessed value to the department and chain stores increased to compensate the municipality for the loss?—A. In one of these questionnaires, in answering that question, the statement is made that in one place in Nova Scotia due to the chain store system coming in ten established businesses have gone to the wall, and that the town is losing over a thousand dollars in revenue from taxes.

Q. In other words, the taxes are lost to the community and that loss has to be made up by the other merchants?—A. Most assuredly.

Q. What effect has this on rentals and returns to the owners of property?—A. It can't do anything else but lessen them. For instance, if you have stores that are in demand all the time you can get the rental for them just as soon as these became vacant due probably to the high rental that the former occupant could not meet, a rental which is probably not high compared to the money invested in the building. At the same time, however, the occupant is not able to meet it due to these conditions.

Q. Would you say then, Mr. Doyle, that due to the competition of these department and chain stores the values of properties in the community have lessened if the revenue to the community is lessened?—A. There is no question about that.

Q. And that the value of the property to the owner is very much depreciated?—A. Undoubtedly.

Q. That is due entirely to this competition. I mean, of course, we must take into consideration a man's inefficiency to run a business, but that is the general trend?—A. Yes, that is the general feeling all round, Mr. Edwards.

*By Mr. Ilsley:*

Q. Can you think of any particular town where that is the case in Nova Scotia?—A. Well, I have just mentioned one as to which the evidence is produced there by answering the questionnaire, in which ten stores have gone to the wall,—Springhill.

*By Mr. Factor:*

Q. They were closed down?—A. It may not be due entirely to that.

Q. There may have been other causes there?—A. Oh, well, I dare say, but that is what he says.

*By Mr. Young:*

Q. Mr. Doyle, you say that ten stores closed down and one took their place and that one pays a thousand dollars less in taxes than the ten?—A. I did not say that. I am reading from the information given in this questionnaire, and he states that since the advent of chain stores in that community—and, of course, there may have been other causes contributing as well—but there are ten stores less and one wholesale less. I suppose he got the information from the assessor, and he says there is a thousand dollars less in taxes going into that community due to that fact.

Q. Due to the fact that some stores have closed down?—A. That is correct.

Q. Then does it not follow that this new method of doing business has reduced the cost of merchandising goods by a thousand dollars?—A. Well, now, that is a pretty deep problem to go into.

Q. Suppose your own association now had been instrumental in closing down those ten stores; in opening up those other stores that have taken their place would not they have saved one thousand dollars in expenses?—A. I am not prepared to go into those details.

Q. It is simply the natural consequence. You said a moment ago that they are paying a thousand dollars less taxes than they were, that is, than were the merchants of this town. Is not that a reduction in the cost of doing business?—A. Is that a reduction?

Q. Yes.—A. I cannot see that.

*By Mr. Sommerville:*

Q. At any rate, you are stating the fact, Mr. Doyle?—A. Yes, I am stating the facts. I don't know all the details.

MR. FACTOR: Mr. Young wants an explanation, that is all.

MR. SOMMERVILLE: Mr. Young wants Mr. Doyle into an economic discussion.

THE WITNESS: I have not gone deep enough into that.

*By Mr. Edwards:*

Q. How does the number of distributing houses or wholesale houses in the Maritimes compare with ten years ago say?—A. Well, the wholesale houses are very much crippled indeed, the number that remain. Some, of course, have gone, but those that remain are considerably crippled, there is no question about that at all.



Q. Would you say that in that particular part of the country the merchandising of goods could be done more economically through the jobbing houses than by direct buying? I mean staples, I don't mean specialties. A lot of your goods are purchased in Quebec and Ontario?—A. Yes.

Q. It is not feasible to ship them down there in what is known as l.c.l lots?—A. Yes.

Q. Carload shipments with lower freight rates are very necessary?—A. Yes.

Q. Consequently, it is good practice to purchase staple articles through a wholesale house?—A. That is correct for convenience, there isn't any question about that. It has been established in Great Britain, according to any information I have ever got, that that is the sane way to distribute merchandise.

Q. I think Mr. Young asked the question about buying direct from the manufacturers, but the only other way you would say to overcome that would be to have the manufacturer ship a carload of mixed merchandise, or for the distributors in Nova Scotia to purchase—A. Well, that would probably be a saving but would it be sane merchandising?

Mr. EDWARDS: I am just suggesting that.

The CHAIRMAN: Just a moment. Opinions are being expressed on both sides, one asking the other a question.

*By Mr. Edwards:*

Q. Do you think that practical merchandising in the Maritime Provinces for staple articles is best done through the wholesaler?—A. Yes, I think there is no question about that.

*By Mr. Young:*

Q. Coming back to this question of taxation, Mr. Doyle, one of the evils you stated of this system of merchandising has meant a loss in taxation to the community?—A. Yes.

Q. Will you just explain that clearly.—A. Well, I have endeavoured to make the statement as plain as I can make it. This man states that in this place in Nova Scotia since the advent of chain stores, ten stores have gone out of business.

Q. Yes.—A. And, no doubt, other people have not taken their place, and the result is, as he has figured, a loss to that municipality of a thousand dollars.

Q. Ten stores then have closed up?

Mr. SOMMERVILLE: Somebody else must pay the thousand dollars in taxes that has been lost.

The WITNESS: I have not figured it up to give you those details.

*By Mr. Young:*

Q. But ten stores have closed up?—A. Yes.

Q. And ten stores have stopped paying taxes?—A. Yes.

Q. Well then, whoever is doing the merchandising in that town must be doing it at a less expense than it was being done formerly.

The CHAIRMAN: That is your opinion.

The WITNESS: That may be your opinion.

Mr. YOUNG: Mr. Doyle says they have lost a thousand dollars in taxes. The merchants then must be saving a thousand dollars.

The CHAIRMAN: That is your opinion.

Mr. YOUNG: No, that is the statement. It is the natural consequence of his statement.

The CHAIRMAN: That is your opinion as to the effect of his statement, but he does not say that. He has told you that half a dozen times, and I do not think it is fair to press him to say what your opinion is.

Mr. KENNEDY (Winnipeg): I think, Mr. Chairman, the witness indicated clearly that that reduction in taxation would have to be borne by the rest of the people.

Mr. YOUNG: I am saying this, that the merchants are not paying it.

Mr. KENNEDY (Winnipeg): All right, that may be your opinion, but you do not seem to be prepared to listen to any person.

Mr. YOUNG: I am anxious to listen if the witness will explain.

The CHAIRMAN: Mr. Young, you have expressed your deduction from what he said, you have stated your view.

*By the Chairman:*

Q. Mr. Doyle, you have stated your view with regard to this assessment?—A. Yes. That is all I can say. I just read it there from the questionnaire that was sent out. I will read it if you so desire, Mr. Chairman. He states, that since the advent of the chain store system in their locality ten stores have gone out of business together with one wholesale.

*By Mr. Young:*

Q. Well, are those chain stores doing the business that these other men were doing that closed up?—A. Well, no doubt they are.

Q. Are they paying any taxes?—A. Some of them are.

Q. And some of them not?—A. I imagine they must all pay taxes.

Q. Then are the taxes paid by these chain stores any less than the taxes that were paid by the ten that went out of business?

Mr. SOMMERVILLE: By a thousand dollars, he says.

The WITNESS: They are paying less than the ten stores that went out of business by a thousand dollars. There is a difference of a thousand dollars. That is the statement this gentleman makes. To be able to accurately go into the details of that I would have to check that up. I would not be prepared to state the exact amount.

*By Mr. Young:*

Q. Now, you spoke about another evil in this system, the withdrawing of money from the community. Would you explain that, please?—A. Well, if these large corporations are able to carry on their mail order system and their system of advertising then the community dollar is not in circulation, it is gone.

Q. What part of it is gone?—A. Well, the whole of it outside of the expenses borne by the upkeep of these places.

Q. The whole of it, you say, outside of the expense relative to the upkeep?—A. Yes.

Q. And will you tell me how much of the dollar that is paid in to the local merchant stays in the community and how much goes out?—A. You are getting into pretty deep stuff.

Q. Oh, no, I am asking for a statement of both sides?—A. It is an utter impossibility for me to answer that question.

Mr. FACTOR: I find it rather peculiar, Mr. Chairman, that when Mr. Young starts questioning the witnesses all seem to be getting into deep water and cannot answer the question.

The CHAIRMAN: I do not wish to argue further with Mr. Young. I want to give him the widest possible scope, but obviously witnesses such as Mr.

Doyle and others who come before the committee cannot be expected to have at their finger tips the various percentages that are known to students of economics and the breaking down of sales costs and price spreads and all that. We are going to get all of that to the abundant satisfaction of the committee from experts and scientists who are now working on it.

MR. YOUNG: Mr. Chairman, witness after witness has come before this committee and stated that certain people doing business in a certain way send most of their money out of the community. I asked him how much, and I ask if that is or is not any more than people doing it the other way?

THE CHAIRMAN: The witness, I think, has answered your question quite fairly. He indicates that with the closing down of the retail merchants and the loss of the prestige, and the spending power of the local merchants, the destruction of all that, what effect it has on the community. He is just giving you his opinion as to the loss to the community. You asked him what the loss is, and I submit to you he cannot tell that or answer that question; but we can get that. I think we can get real information on that, but I think it is unfair to press a witness of this kind to answer a question of that kind.

MR. YOUNG: Yes, Mr. Chairman, but we have had a lot of statements made here, and then when the question is asked the witness says invariably "I don't know." You say we will get this information from some other source. I would like to know where it is coming from and when we are going to get it.

THE CHAIRMAN: If you will just be a little patient until this afternoon when we have an executive meeting I will give you a very complete report. I have here from Mr. Coats quite a letter descriptive of what they are doing in this matter, and he goes on to say that a number of tables on price spreads have been prepared for specific sections of trade and industry; they have been forwarding these to the committee as they are finished, and at the present day's date (March 13) they have now sent tables on wheat; flour; bread; sugar; hogs and hog products, cattle and cattle products; sheep and mutton; milk, butter and cheese; a general memorandum on the relation of farm prices to prices of manufactured goods. And that they have still in preparation tables on fish; wool and woollen textiles; cotton and cotton textiles; petroleum and gasoline. These are all things that take time. I would ask you again, therefore, with all reason—in the light of this—and I will give you all the information that can possibly be secured—not to ask these technical questions from witnesses of this kind.

MR. FACTOR: May I interject here and ask you whether we intend to go into the matter of capitalization, and so forth—

THE CHAIRMAN: Supposing we leave that question until we meet in executive committee.

THE WITNESS: I might inform you that I got a wire to come before this committee the latter part of February, somewhere around the 27th I think, asking to get detailed information and so on, and to be here on the week of the 5th. Now, if you can tell me where it is humanly possible for the greatest experts you can imagine to ferret out all the details in connection with this system that we have referred to,—well, you just cannot get it, nor they never could get it in so short a period as that. It takes years sometimes to study all these details.

*By Mr. Young:*

Q. Then we will drop that point for a moment. Another evil you stated in this system of merchandising is the exploitation of the public. Will you explain that, please.—A. Well, if they advertise a loss leader and are able to bring into the store a number of people, because that is what is done, they will,



if they can, sell them something else. People go in there as I have known in a great many cases, in fact it has happened to myself, probably half an hour after the goods were supposed to be on sale to find they were all gone. Now, they surely had not disposed of all that stuff. Would not you call that exploiting?

*By Mr. Ilsley:*

Q. It is misleading advertising, is it not?—A. You can call it anything you like but I say that is exploiting the public. They go in there expecting to buy this article and, in a great many cases, the articles are all gone. They have simply sold a few, they might sell ten, fifteen or twenty, if you like, and that is a very cheap system of advertising because, in that way, they get the people into the store and they sell them a lot of stuff that they did not intend to buy at all.

*By Mr. Young:*

Q. Just a minute now, you say that they sold them stuff they did not intend to buy at all. I would take that to mean that they took more money out of them than they gave them value for?—A. Oh, no. There are a lot of different interpretations on that.

*By Mr. Sommerville:*

Q. If they sell something for less than cost they must make it up on something else. There is no question about that.

*By Mr. Kennedy (Peace River):*

Q. Is it your opinion that the departmental and chain stores are selling generally at lower prices than the ordinary retailers?—A. No, I don't think so outside of, well, of course, certain things.

Q. Generally. I am speaking of the whole range.—A. As a general thing they claim they can sell cheaper.

*By Mr. Young:*

Q. Then, speaking broadly, you can compete with them except in the case of loss leaders?—A. No—if we get advantage of the buying, the same buying, if we could buy at the same price there is no question about the competing.

Mr. ILSLEY: That is the crux of the whole situation.

The WITNESS: Absolutely, that is the crux of the whole thing.

*By Mr. Young:*

Q. That is all you ask, the chance to buy on the same basis?—A. Certainly; and standardize things so there will be no misrepresentation or anything. The great trouble again, gentlemen, is this: if for instance I come down and find something not right about the advertising, I come down and check it up and so on, now I am obliged to bring these people into court to prove that they were doing this kind of thing. What right has the retail merchant or the secretary of the Retail Merchants' Association to do that? The onus should be placed on them and by law they should be able to come in and state why they do this thing, and a pretty heavy, stiff fine put on so there will be no question of it being repeated.

Q. In procuring supplies for voluntary chains, do you find anybody refusing to sell?—A. So far as I know, yes, indirectly; that is the answer. They have been interfered with in some ways.

*By Mr. Sommerville:*

Q. That is to say, the wholesalers who supply you have given you that answer?—A. Yes, sir; that is correct.

*By Mr. Young:*

Q. On what grounds do they refuse to sell to you?—A. Well, the former witnesses gave you statements concerning that in which they said that they combined their buying and put it up to some manufacturers to see if they could get the same prices as other people believed they were supposed to be getting, and they should, under the circumstances. They combined volume as the means of securing a closer price, and they should have been able to get it. But they did not get it. In fact they have been interfered with in some way, and were refused.

Q. The manufacturer refused to give it to them?—A. Yes.

*By the Chairman:*

Q. In some cases?—A. Yes.

Q. You are not prepared to state specifically cases to your own knowledge?—A. No, I would not be prepared to do that. That is one of the reasons why I think the committee should be of so great assistance in trying to solve this problem.

*By Mr. Factor:*

Q. Do you know anything about rubber footwear conditions?—A. I have got it from—

The CHAIRMAN: In the questionnaire?

The WITNESS: In the questionnaire. The same thing has been said to me as has already been said by other witnesses who have preceded me.

The CHAIRMAN: On the rubber footwear conditions?

The WITNESS: Yes.

The CHAIRMAN: Gentlemen, we have another witness this morning, and as we are trying to get through to-day, I shall now call him.

Witness retired.

Mr. SOMMERVILLE: I have a very short brief of only three pages, which was submitted by the Summerside Board of Trade. I shall read the brief into the record, and I shall substitute for the name of the firm mentioned therein, the letter "A".

The Chairman,  
Parliamentary Committee on Mass Buying,  
House of Commons,  
Ottawa, Canada.

Dear Sir,—

We wish to bring to your attention in a general way the unfair competition of the mail order business with which our merchants in all the different lines of distribution have to meet and which is having a very detrimental effect on profitable operation.

"A" take from our community all the profit on their goods yet contribute nothing to maintain this community in taxes or in any other way.

In this province where there are no large manufacturing interests—mining or lumbering, the bulk of the taxes fall upon the merchants and the farmers. The merchants maintain large stocks in well equipped stores and as a consequence pay a large town or city and provincial taxes.

They employ sales staffs, they pay insurance, rent, they pay advertising on which the local newspapers depend for their existence. The people that are employed by these local merchants give business to the doctors, the lawyers, the dentists, the banks, the bakeries, the garages, the lumber mills and the farmers, and they contribute towards the upkeep of the schools, the churches and other local institutions.

"A" on the other hand, contribute to none of the above. They give business to none but endeavour to take business from every one, yet pay nothing for the privilege but instead cause the taxes and expense of keeping up these communities to be an increased burden on the local institutions.

We feel that this is unfair and that, if your committee is going to recommend legislation for fair and equitable trade, even the changing, if necessary, of the British North America Act should not stand in the way of making recommendations that could deal effectively with a situation, which is very unfair to the mass of people, on whom depends the real life of this Dominion of Canada, for without communities and all that they mean the people of Canada in the Maritimes and outlying sections would be but "hewers of wood and drawers of water" for a few privileged mail order concerns in central Canada.

We feel that an outstanding example of unfair competition may be found in the distribution of auto tires and we would strongly recommend that your committee thoroughly investigate the situation. Unless something is done in the way of correction, the time is rapidly approaching when "A" will have a complete monopoly of the sale of auto tires in Canada, that is if the people become aware of the advantage offered by "A" in a low price, with which the dealers cannot compete at the prices charged them by the Canadian manufacturers.

We wish to give you just three examples of tire prices taken from "A's" spring catalog of 1934 and the Canadian Manufacturers' list and discounts. We will take one popular size of tire and three grades, namely the 4-ply, No. 475/19 tire and the 1st, 2nd, and 3rd grades. We will compare "A's" catalog price with the retail price fixed by the Canadian manufacturers, plus tax, and also the dealers' cost applying from the Canadian manufacturers plus tax. The sales tax is included in all prices mentioned.

	1st grade	2nd grade	3rd grade
Dealer's fixed retail price.. . . .	\$10 88	\$ 9 33	\$ 7 93
A's prepaid price.. . . .	7 90	6 65	5 65
Difference.. . . .	\$ 2 98	\$ 2 68	\$ 2 28

You will see from this comparison that the Canadian manufacturer has fixed a price for the dealers to whom they sell, of \$2.98, etc., higher than A's price. It is therefore apparent that the dealers cannot expect to sell to the consumer at such a great difference in a higher price.

We wish to give now the comparison between A's price and the dealer's cost plus tax (A's price includes the tax).

	1st grade	2nd grade	3rd grade
Dealer's cost.. . . .	\$ 8 77	\$ 7 53	\$ 6 41
A's price prepaid.. . . .	7 90	6 65	5 65
Difference.. . . .	\$ 87	\$ 88	\$ 76



It is therefore clear that manufacturer sells to the dealer at a cost that is 87 cents higher than A's retail price. The unfairness of this is quite apparent, when in order to compete the dealer has to pay the local freight to his customer.

Now, we believe that the above will show that there is something wrong. We understand that these same manufacturers, who are selling to the dealers throughout Canada, are selling to "A" at a price so very much lower, that "A" are enabled to pay the freight to the customer and sell at a profit at a price lower than the actual cost to the dealer. It is common sense to anticipate that a continuance of such practices on the part of the manufacturer will divert all the trade on auto tires in Canada to "A" and therefore the manufacturers will be dependent on a single customer instead of on the many. Every year that they continue to give "A" such an advantage strengthens A's buying power increasingly, as the consumer becomes more aware of the vast difference in price.

There are at present in the town of Summerside, seven dealers in auto tires. Is it fair, is it just, is it right that these dealers should be put out of business by "A," that this community must lose the taxes collected from these concerns, that this community must lose the citizens that are supported by these concerns.

It is our desire to bring to your attention and suggest an investigation of the cotton and textile distribution situation. Briefly let us outline one phase of it. The Dominion Textile and Dominion Cottons refuse to sell to merchants direct and thus force them to buy through the jobbers. However, these manufacturers make an exception and sell "A" direct and they sell them, according to the jobbers' story, at a price lower than the price they charge the jobbers. The jobbers state that the manufacturers claim "A" buy more of their products than all the jobbers put together. Now the jobbers naturally have to get a margin to take care of their overhead expense and to give them some measure of profit. You can therefore see that it is impossible for our local merchants to compete with "A's" resale price to the consumer. It is apparent that the manufacturers, by giving "A" preferred treatment, do practically create a monopoly of the cottons and textiles manufactured in Canada by preventing the general merchant of Canada to compete in price. A continuation of this practice will divert more and more of the trade in these commodities to "A". The only way that this can be prevented is by your committee investigating, recommending and putting through enabling legislation to protect the many instead of having the favoured few enjoying a monopoly at the expense of the large number of merchants who will be forced out of business.

We respectfully submit the above outline of what we consider unfair competition and sincerely trust that it may be your pleasure to look into the situation outlined by investigation that will be thorough, far reaching and effective. We honestly feel that the great bulk of merchants in the different communities throughout Canada are entitled to fair treatment by the manufacturers and that they should not be forced out of business through the effect of mass buying and such practices that give the chain stores, the mail order concerns and the large organizations in the centres of Canada a monopoly and a stranglehold on Canadian trade.

Thank you for your kind consideration, believe us to be,

Sincerely yours,

THE SUMMERSIDE BOARD OF TRADE,

B. W. ROBINSON, *president*.

Accompanying the letter is the last advertisement of "A" which appears in the Charlottetown Guardian, advertising a new system of furniture price policy, mail order direct from the factory to the purchaser. (Exhibit 61.)

The next witness is Mr. Matthews of British Columbia.

GEORGE R. MATTHEWS, called and sworn.

*By Mr. Sommerville:*

Q. Mr. Matthews what is your position in the Retail Merchants' Association of British Columbia?—A. The provincial secretary.

Q. You have been associated with the association for some considerable time?—A. Seven years.

Q. And you are familiar with the conditions with which the Retail Merchants' Association have to contend?—A. From the standpoint of the secretary, not as an economist or a statistician.

Q. And in that respect you desire on behalf of the retail merchants to make certain representations to this committee?—A. Yes. Mr. Chairman, at the outset I should like to say that perhaps it is very fitting that the one farthest removed from the capital would be the last to address this committee; and I am quite conversant with the fact that there will be more or less repetition of what I have prepared. With that thought in view, Mr. Chairman, I will make only references and file the statement. I would ask particular forbearance on the part of the committee in that regard. When we heard that our responsibility was to furnish what we felt were unfair practices, we went outside the city of Vancouver. You are familiar, sir, I think, with the fact that the city of Vancouver, or at least the greater Vancouver area would take in half the population of British Columbia. In order to get the view of merchants outside the city of Vancouver we took in the outside cities. It may be consoling to you to know, sir, that my introductory brief will take little more than one minute.

Mr. Chairman and gentlemen: The British Columbia Board of the Retail Merchants' Association of Canada very gratefully appreciate this opportunity of presenting to you some of the practices of so called big business operating as chains and department stores, which practices have been the major contributing factor in forcing so many of our independent merchants in the towns and cities of British Columbia out of business. Unfortunately the majority of the independent retailers in British Columbia, cannot continue indefinitely, unless government will introduce some measure of control over unfair practices, which we regret we have to admit, are now being adopted by some independents to enable them to continue on, just a little longer, in the hope that some relief is forthcoming soon.

Since the recent announcement that a special committee would look into trade practices a new hope has sprung into the hearts of our retailers. We have recently held meetings in six cities being the beginning of a provincial campaign. The attendance has been the largest known; in some cases sixty-five per cent of the local merchants being in attendance.

At the outset we are desirous of making our position clear. The British Columbia Board of the Retail Merchants' Association are not asking for the elimination of the chain and department stores, but are seeking from our provincial and federal governments such legislation as will eliminate unfair practices whether they refer to chains, department stores or independent retailers.

One of the outstanding practices, which is supported by exhibits herewith attached, (Exhibit No. 62) is the advertising of loss leaders, for the purpose of misleading the buying public. I say misleading because the purpose of such publicity is undoubtedly to create in the minds of the consumer the fact



that all the merchandise handled by these respective chains and department stores is sold at retail on a similar basis and, as the leaders are usually nationally advertised lines, well known to the public, the independent retailer is made to appear to be making an exorbitant profit—for example, take groceries.

*By Mr. Ilsley:*

Q. Excuse me just a moment. What you have said there, has been said by every witness who appeared before us. They all said it is due to loss leaders. Has there not been any progress made in the education of the consuming public of Canada? I would think that by degrees they would realize that these articles that are advertised at what appears to be a great reduction, or a great bargain would come to an end. There comes a saturation point in the consumer's mind; that is to say that while he would say to himself, "Well, I can get a bargain here on one thing, but probably not on other things; and I can get a bargain on something else in some other shop," and that in time the deceptive effect of the loss leader product would entirely disappear; is not that so?—A. I do not think in actual practice, sir, that is the buying experience.

Mr. SOMMERVILLE: That was not Barnum's experience.

Mr. ILSLEY: They keep on buying indefinitely?

Mr. SOMMERVILLE: There were two born every minute, was Mr. Barnum's conclusion, after 40 years' experience.

The WITNESS: Exhibit No. 1, is an advertisement by Woodward's Stores, Limited, a department store in Vancouver, which uses as its slogan "The best for less."

Mr. HEAPS: I thought you were not using any names, Mr. Chairman.

The WITNESS: We have the exhibit.

Mr. FACTOR: It is not a relation of your friend, Mr. Heaps.

The WITNESS: They advertised in the Daily Province in the issue of February 28, 1934.

British Columbia finest granulated sugar, 10 lbs. net 59 cents whereas the wholesale price to the retailer at this date was 66 cents.

Also the circular of the O. K. Stores offering:

Sugar at retail—10 lbs. for 57 cents being nine cents below the retailers' wholesale price.

*Exhibit No. 3.*—Is a list of comparative prices as between wholesale and advertised lines by chain and department stores which shows the impossibility of the independent retail grocer competing with the apparently accepted practices of the chain and department stores.

	Wholesale price to retailer	Retail Advertised Price
Item No. 1.		
Feb. 17/34—Aylmer soup-chicken	3 for 70c	3 for 59c
Item No. 2.		
Feb. 17/34—Combination soap special	58c	59c

The CHAIRMAN: Inasmuch as you mentioned Woodward's name, and inasmuch as you have filed the advertisement, there is no objection to naming these stores; because 10,000 people have already read them. Your first firm was Spencer's Limited, and the second was Spencer's?

The WITNESS: Number 1 is Spencer's, and No. 2 is Spencer's, Limited.



## Item No. 3

Safeway stores—

Feb. 22/34—Salada Tea.. . . . .42c. .43c.

*By Mr. Heaps:*

Q. That is the cost to the retailer?—A. Yes.

Q. Is it not a fact that the firms advertising these goods are losing money on all these sales?

Mr. FACTOR: They are loss leaders.

Mr. HEAPS: Not necessarily.

The WITNESS: Well, I can answer that, sir, in one of these items, as I developed it with the manufacturer himself. I have a wire from him, which I will read a little later, in which he states positively that one item here was sold at two cents less than what he paid for it.

Mr. HEAPS: You do not know anything about the other items?

The WITNESS: I have no evidence of that.

## Item No. 4

Spencer's Ltd.—

Feb. 20/34—Nabob coffee.. . . . .35c. .33c.

Feb. 20/34—Old Dutch cleanser.. . . .08c. .07½c.

## Item No. 5

Woodward's Limited—

Feb. 20/34—Aylmer Spinach 2½ tins.. . .18c. .15c.

Woodward's Limited—

Feb. 20/34—B.C. Crown Olive soap.. .40c. doz. .30c. doz.

## Item No. 6

Spencer's Ltd.—

Feb. 26/34—Chateau cheese 1-lb. box.. .23c. .22c.

	Wholesale price to retailer	Retail advertised price
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David Spencer—Feb. 26/34—Lux Soap Flakes.. .07 .06½

David Spencer—Feb. 26/34—All Bran Kellogg's (large) . . . . .	.17	.15½
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*Exhibit No. 4A.*—Another merchant from Nelson—that is a local manufacturer and a very fine institution—says they have sold Ledinghams bread here at 5 cents a loaf several times. We pay for this bread wholesale fourteen loaves for \$1 or 7½ cents.

*Exhibit No. 4B.*—Is a statement from one of the largest buyers in British Columbia, of groceries. In some lines his purchases would equal that of a department store. Being a large buyer he makes some rather astounding statements. I quote in part from his letter as follows:—

Large manufacturing organizations with distribution across the continent pay to chain and department stores actual advertising rates as charged by the newspapers except when large advertising schemes or drives to increase business are under way when generous inducements are handed to large retailers for this co-operation.

*By Mr. Sommerville:*

Q. What do you mean by that; develop that?—A. This gentleman states that a manufacturing concern giving a secret rebate to a chain or department

store will recognize the rate of advertising in that city or locality and rebate on that basis to the purchaser who is a chain or department store.

Mr. FACTOR: They will pay the advertising space?

The WITNESS: Yes.

Mr. YOUNG: That portion of the space which is devoted to his product?

The WITNESS: I am not so sure about that.

He states that—the independent dealer does not benefit through secret rebates but that such are common to large buyers. The only secret part is the amount which varies according to the size of the order and the chisseling powers of the buyer. He states that—the giving of 30, 60, 90 days to large retailers with good credit, is common practice particularly on large orders. The 1 per cent, 10 days which is the usual trade term, is seldom taken any notice of by the large buyer, who generally refuses to tie up his money in the manufacturer's goods. Hence he never has any difficulty in getting almost any term he chooses.

*Exhibit No. 4C.*—Is a tabulated record from the city of Victoria of the names of the firms, article, retail price, wholesale price and paper in which advertisement appeared, with the date of each from March 4, 1932, to August, 1933, which shows that in practically every instance butter has been advertised showing the retail price as being three cents below the wholesale.

Mr. SOMMERVILLE: When you speak of the retail price, do you mean the cost to the retailer?

The WITNESS: The retail price is the cost to the consumer. In substance it shows the retail price as being 3 cents below the wholesale in practically every instance.

Mr. FACTOR: On commodities sold by chain stores?

The WITNESS: Department stores. I think there may be a chain too.

*By Mr. Sommerville:*

Q. This refers to butter, eggs and bacon largely?—A. Exhibit No. 5 is another practice or form of publicity. This advertisement appeared in the *Vancouver Sun*, under date of February 20, 1934, in the name of David Spencer Limited, in which there are no less than 10 items that do not set out the proper description, for example—this is all in one ad, Mr. Chairman,—

No. 1 Mackerel in Tomato sauce....	15	cents	no size stated
2 Clams, Easter, per tin.....	10½	"	no size stated
3 Tomatoes, Spencers, per tin...	8½	"	no size stated
4 Spinach Royal City, per tin...	15	"	no size stated
5 Peas-Royal City, per tin.....	10½	"	no size or sieve stated

Q. A sieve—that is the size of the peas?—A. Yes.

No. 6 Flour 24 pound sack.....	69	cents	no brand stated
7 Apricots in Syrup, Aylmer...	15	"	no size stated
8 Cedar Polishing Oil, bottle..	12½	"	no size stated
9 Pears in syrup, per tin.....	15	"	no size stated
10 Pineapple Burke, per lb.....	13½	"	no size, or if pound is meant for weight or contents, it is wrong

You may assume different sizes as you wish.

*By Mr. Factor:*

Q. When you say "no size stated" have you investigated these cases and found that the size runs usually actually smaller than the standard brand?—A. That is not the point I am bringing out. The point is this, that the public have no way of judging the accurate value of this advertisement because of it not bearing the size.

*By Mr. Ilsley:*

Q. There is nothing fooling them; there is no deception?—A. I certainly say so. If my wife were thinking of purchasing tomatoes, and she has been buying a certain size from her local grocer, and she sees tomatoes advertised at  $8\frac{1}{2}$  cents, and if that has been the size she has always purchased, I would take it she would assume  $8\frac{1}{2}$  cents for that size.

Q. You are going pretty far in protecting people against their own conclusions.

Mr. SENN: It depends whether these goods are put up in standard sizes. If they are—

The WITNESS: The fact remains there is no size named.

The CHAIRMAN: That is all the point you are making now: that no size is given; and we can draw our own deductions.

The WITNESS: Yes.

Upon receiving assurance from me that I would not divulge his name, one of the largest manufacturers in British Columbia wired me here, as follows—I wanted reasonable confirmation of secret rebates and this is the wire:

Quantity price beyond reason—

He is referring to the quantity price that the department stores and chains are advertising—

—demands made for advertising allowance, windows, tables, posts and press advertising and in many cases chains dictate to manufacturers.

*By Mr. Sommerville:*

Q. What do you mean by windows and posts?—A. If there is a pillar in the centre of the store a chain or department store will ask from the manufacturer a weekly or monthly rental for that space.

Q. For showing his goods?—A. Exactly.

Q. When selling that persons's goods they charge so much for prominent space?—A. Yes.

Q. Do you find any problem or practice of charging the merchant for eye-level shelves?—A. I am not familiar with that, sir. British Columbia retailers most earnestly plead that a thorough investigation be made by your committee. In this connection we know we can render a service to such a commission in directing them to proper channels through which to secure evidence to confirm our statements.

*Exhibit No. 7* is a communication signed by three jewellers in the city of Nelson who state they have no desire to keep same confidential:

The jeweller buys a certain pattern in good faith, he receives it into stock and proceeds to interest his many prospective customers with the charms of this particular pattern, he succeeds and sells many persons, sets or part sets of this silverware, he repeats his orders and expects to continue doing business as before, *then one day he gets a real headache*, into his store comes a customer who has purchased some of the aforementioned silverware and they present to the jeweller a leaflet from either some big mail order house or large jewellery organization, which blares forth the news that they are selling the very self same pattern of silverware, that the local jeweller has been selling, but—at exactly half the price.

There is a four-page document signed by the three jewellers in Nelson which I give to the committee for further investigation.



*By Mr. Factor:*

Q. The complaint is that it is not the self-same pattern?—A. The complaint there, Mr. Factor, is that the manufacturer first secures his business from the smaller jeweller and he does not properly gauge his production. Then to even up he will go to the larger people and clear the balance; and the suggestion is here stated that if there was a fairer basis of estimating the production perhaps the smaller man would not be penalized to the extent he is and the larger man would not secure the discount.

Q. If he sells the surplus at a lower price to the larger organization?—A. Exactly.

*Exhibit No. 8*, is a statement from the Better Warm Air Heating Ventilating and Sheet Metal Work association from which I quote:

Garbage cans: This is one of the many items upon which the operators of Sheet Metal Shops counted as staple work and to-day are sold by the departmental stores for less money than they can be actually produced, paying for labour and material. Stove pipe is in identically the same category.

Furnaces: The department stores are selling by retail below our actual cost which in many cases has forced the wholesaler to sell direct, the manufacturer to sell direct. In many cases the wholesaler is also jobber and installer. The manufacturer is also an installer. In many cases the wholesaler practically owns shops through indebtedness and are operating them at a definite loss to the helpless position of their competitor, their own customer. Individuals are allowed to be in the heating business unqualified in any manner, both mechanical and from a business concern, with the result that both the public and our trade in general suffer through unethical practices.

*By Mr. Edwards:*

Q. Have you anything to say as to whether those furnaces are manufactured in Canada or in the United States?—A. I have not, sir; just the statement in this letter.

Q. You will find a lot of the furnaces sold that are made in the United States. That is a statement, not a question?—A. Manufacturers sales tax licence.—Due to the scarcity of construction work many shops are able to get away from making returns required by the taking out of a licence from the government by declaring they are not doing contract work or selling for resale with the result they are not paying taxes on their manufactured products the same as the rest are compelled to do. They are merely buying the iron, tax paid. Those operating under sales tax licence pay on the sale price to the consumer on all goods manufactured, this means considerable handicap.

This association, Mr. Chairman, is quite prepared to assist in securing evidence.

*Exhibit No. 9: Shoes and Rubber Footwear.*—This is an advertisement of a chain shoe store known as Copp the Shoe Man, in which he advertises—this will answer some of the inquiries this morning. It is rather unfortunate that all cannot see that advertisement—this is an advertisement of a chain shoe store known as Copp the Shoe Man in which he advertises, "Buy one pair of shoes at the regular price and get another pair of the same value for just one cent. Hundreds of pairs of new style shoes have been included to make this the greatest one cent sale we have ever had; complete range of sizes and widths. One pair \$3.95 extra pair 1 cent."

Mr. YOUNG: Is this a chain store or department store?

The WITNESS: They operate a chain, and they are one of the few people who are receiving the advantages of the rubber discounts.

*By Mr. Factor:*

Q. That is footwear?—A. Yes. These shoes cannot be purchased to sell profitably at these prices. If one pair is worth anywhere approaching \$3.95 then the second pair is literally “a give away.” If the first pair is not worth \$3.95 retail, then the advertisement is untruthful and misleading.

In any event, the advertising of shoes at one price with another pair, practically given way gives the impression that shoes are actually very cheap and are a long profit line, which is not the experience of the trade.

Q. What about the price of \$3.95 for this pair of shoes; is that an exorbitant price? Do they make up in this price the price of two pairs of shoes?—A. I do not know how they do it, sir.

Q. Suppose the shoe is worth only \$1.98 a pair and they tell you that they give you two pair for \$3.95, that is deceptive advertising?

The CHAIRMAN: There is a case downtown where they are advertising the same thing.

Mr. FACTOR: You cannot say anything about the actual price for one pair?

The WITNESS: No, sir.

Mr. YOUNG: It is quoted as the regular price.

The WITNESS: That is right.

Mr. ILSLEY: Is it quoted as the regular price?

The WITNESS: I think the word “regular” is used. We understand there is to be an investigation into the practices of the manufacturers of rubber footwear. Ninety-five per cent of the shoe retailers of British Columbia cannot purchase rubber footwear at a wholesale price that will permit of paying the mere cost of advertising, say nothing of the overhead charges, and retail the rubber footwear at the prices advertised by the department stores. They simply cannot secure the discounts.

*Exhibit 10:* Drugs—Is an advertisement of the Vancouver Drug company limited who use as their slogan “We save you money.” This advertisement appeared on February 15 and advertises specials for Friday and Saturday, February 16 and 17, among others being:

Scott's Emulsion, 65 cents. The wholesale price of this commodity in large quantities is a fraction over 62 cents.

We would call your special attention to another part of this advertisement which advertises Lyptodent, a tooth paste manufactured by the chain, which is advertised herein—in other words it is their own manufactured product:

Regular, 35 cents; Special for 23 cents.

Another druggist purchased a quantity of this product from the chain and resold it at retail for the same special price of 23 cents, as advertised by the Vancouver Drug company. This revealed a very satisfactory profit. Undoubtedly the advertising of Scott's Emulsion at a cut price which only reveals a margin of about 5 per cent is intended to create in the mind of the customer that Lyptodent is on a similar basis, though it returns a very handsome profit to the chain.

Exhibit No. 11 is made up of advertisements of some 18 drug items advertised within the last few days by chain and department store which reveals that they are being sold retail at practically the wholesale price to the retailer and in many, many cases much less, for example:

Exhibit	Regular price	Retail advt. price	Advertised product	Jobbers price to retailer per doz.	Wholesale each	Jobbers cost per doz. each	
	\$ cts.	\$ cts.		\$ cts.	\$ cts.	\$ cts.	cts.
A.....	1 25	0 98	Pinkham's Veg. Compound.	12 72	1 06	10 60	88½
A & C.....	1 40	1 07	Wincarnis (also 98 cts. C.)	12 75	1 06½	10 36	86½
A.....	1 25	0 98	Absorb. Jr. Linament.....	11 25	0 93¾	9 38	78 1/6
A.....	0 50	0 43	Wood Cold Cr. Jr. (also 9 cent special).	4 72	0 39¼	3 94	32 5/6
B.....	1 25	0 82	Uratabs.....	10 60	0 88½	8 83	73 7/12
B.....	1 00	0 51	Herpicide large.....	9 28	0 77½	7 48	62½
B.....	0 50	0 34	Fruitatives 4/-.....	4 35	0 36¼	3 63	30½
E.....	1 25	0 89	B. & B. Pal Support.....	16 30	1 35 5/6	8 31	69½
B & C.....	1 25	0 83	B.B.B.....	11 00	0 91½	9 10	75 5/3
C.....	0 50	0 39	Phillips Milk Mag., large..	4 77	0 39¾	3 97	33 1/12
C.....	0 50	0 32	Dodds K. Pills.....	4 32	0 36	3 55	29 7/12
D.....	0 28	0 21	Cuticura Soap.....	2 90	0 24 1/6	2 31	19½
D. & G.....	0 10	0 08	Baby's Own Soap..... (and also 5 cents).	1 05	0 08¾	0 86	07 1/3
C.....	0 50	0 39	Thermogene.....	5 40	0 45	4 40	36¾
F.....	0 35	0 27	Electric Oil.....	3 20	0 26¾	2 67	22½
F.....	0 60	0 43	Marchand's Golden Hair Wash.	5 50	0 45 5/6	4 58	38 1/6
F.....	0 35	0 29	Lyons Tooth Powder.....	3 20	0 26¾	2 67	22½

*By Mr. Factor:*

Q. You mean that the independent retail druggist pays that to the wholesaler?—A. Yes.

Q. Do these chain stores buy direct from the manufacturer?—A. Yes.

Q. They get a cheaper price for the articles?—A. In the form of discounts. It is quite a common practice with the manufacturers in bringing out a line to encourage the patronage of the retailer by stating this commodity will be price maintained, say, at 23 cents. Well naturally the druggist feels if it is maintained, "Now, I will get behind that product"; but upon examination it is revealed that in order to sell for 23 cents they need to be able to buy the quantity of the chain or department store which is ten times more than the average druggist can buy, and the maintained price of 23 cents does not mean anything, but it does to the chain who can get the extra 20 per cent discount.

Fruit and Vegetables.—The wholesale fruit houses on Water street, Vancouver, formerly employed between 50 and 75 salesmen to call upon the retail merchants of the lower Mainland. To-day there are not more than 12 owing to the ruthless competition of the chains.

*Exhibit No. 11B.*—Is a copy of a letter addressed to the chairman of this committee, which would appear to confirm statements of the independent jobbers. I quote in part:—

We have a company in Vancouver doing business under several names. . . .

I will not mention the names.

In Victoria they carry on business under the names of. . . so and so.

This is a subsidiary company to the General Fruit Corporation in the United States.

I call once a week on a certain customer who does business with one of these companies. On the day that I call they make it their business to have another of their houses call and he gives my customer ridiculous prices in order if possible to drive me out of business. So far they have not succeeded, but I am only able to obtain the business by a personal friendship, and by drawing the



buyers' attention to the fact that these prices are purely bait, but I have to shave my prices so as to make them unprofitable rather than put my buyer in the position of having to explain to his house that he is giving me the business on an uncompetitive basis.

This is a very wide statement. I understand it is signed; but it says:—

Independent wholesale dealers in Vancouver selling to the Safeway are paid for their goods. . . .  
by a certain firm and this firm is named as one of the five firms who are subsidiary to the American association.

Q. The person who sells for them belongs to the association?—A. It is a subsidiary to the General Fruit Corporation in the United States.

Q. Safeway must have a pretty good contract with that outfit?—A. *Exhibit No. 12.* Mr. R. R. Hinton, manager of Mannings store of Cranbrook states in a letter of February 24th, 1934, which is herewith attached:—

In October, 1933, the farmers were offered \$30 per ton for potatoes by the local merchants, as the press stated there was a shortage of potatoes. At the time they were harvested, the Safeway company brought in potatoes from Alberta and sold them for \$25 with the result that the local merchants were only able to pay the farmer \$22 per ton, a loss to the farmer of \$8 per ton, and ultimately a loss to the stores of their customers—these same farmers.

*By Mr. Young:*

Q. Before you leave those potatoes. The local merchants fixed the price at 90 cents a bushel. They figured that on newspaper reports of a shortage, did they?—A. Evidently. There is just one point about that which I will deal with later, but it comes in here. The question might be raised, Mr. Chairman; 'Well, why don't these merchants get together and decide to pay \$30 and decide to sell for a certain price?' Apart from it being absolutely impractical, another point comes in there, that if they did get together, even though they were trying to protect the producer, it is questionable if they would not be subject to the Combines Act.

Meats.—In the sale of meat is where some chain stores thrive. There is no law requiring that the grade of meat be mentioned in any advertisement and this is what is working so detrimentally against the reliable, independent retail meat dealer.

For the purpose of newspaper advertising, meat is just meat, liver is liver, and notwithstanding the fact that the average housewife requests calves' liver when ordering, combinations of half a pound of bacon and half a pound of liver are very frequently advertised at the actual cost of even less than half a pound of liver, but investigation reveals that the liver in the combination deal is not calves' liver.

*Exhibit No. 14.*—If all meat were required to be sold by grade and simple classifications, the meat dealer who is handling steer beef of top grade would not be placed at the disadvantage of having his customers compare the prices advertised for cow beef with that of higher grades.

*Exhibit No. 15.*—Is another communication from one of our members stating that on February 15th he purchased from Burns & Company smoked picnic hams at 15c. per pound and the daily paper of that date carried a chain advertising, offering these smoked picnic hams at 12½c. a pound.

*Exhibit No. 16.*—Shows the relationship between the farmers in the province of Alberta and the merchants who retail their products in the city of Vancouver. I quote as follows:

My store adjoins one of the Safeway Stores. For several years I have bought poultry direct from the prairie on a commission basis and have been interested in trying to secure for the producer as high a price as possible in addition to my own commission. At the beginning of the season I advertised poultry at the prevailing prices, only to have this price cut immediately by my next door neighbour. More particularly in December last, I advertised a 17 cent price for turkeys. As soon as the paper was on the street my neighbours put a big sign in their window advertising turkeys at 15 cents. The same day their advertisements in the dailies quoted a price of 17 cents.

*By Mr. Sommerville:*

Q. That is, the sign on the particular window was two cents less than the advertised price in the daily paper?—A. Yes. As soon as they discovered that the competitor was going to be on an equal basis, they went two cents lower.

Mr. YOUNG: For the same grade of turkey?

Mr. SOMMERVILLE: Well, it was in the same store apparently; and the sign was put on the window.

Mr. YOUNG: There might be two grades of turkeys in one store, Mr. Sommerville.

Mr. SOMMERVILLE: I presume so.

Q. Will you continue?—A. Yes. The quotation continues:

Under these circumstances it is impossible for me to return a fair and adequate price to the producer, and much trouble and dissatisfaction has ensued.

*Exhibit No. 16A.*—Is a signed statement from an employee of one of our meat chains, who advertises most extensively, quoting prices the average meat dealer cannot possibly meet. The explanation may be that such prices are made possible through exploiting the help.

*By Mr. Factor:*

Q. That is going in?—A. Yes.

*By the Chairman:*

Q. This lad gets \$6.75 a week?—A. Yes.

Q. Is there not a minimum wage law in British Columbia covering male labour?—A. Unfortunately, Mr. Chairman, there is no minimum wage for male labour.

Q. I thought there was at one time?—A. Yes, but it is inoperative as far as clerks are concerned; and girls employed in a similar capacity are required to be paid \$12.75. Unfortunately our experience has been that some girls have been let out, and men have been employed to take their place.

Mr. SOMMERVILLE: This young man says he is working in a certain prominent meat market and gets \$6.75 per week.

The CHAIRMAN: Yes, less six cents income tax, and less six cents for compensation board; that is 12 cents a week off \$6.75.

The WITNESS: Florists: The oriental who specializes so largely in fruit and vegetables in British Columbia is very rapidly gaining supremacy in the sale of cut flowers. He has been very quick to properly appreciate the practices of the department and chain stores in featuring loss leaders, and in order to sell his fruit and vegetables at a profit, he features cut flowers at a retail price as low and lower than the florist can produce them. This is made possible because of the low standard of living of the oriental.

This is a problem which is well known to the Chairman of this committee and which largely is confined to our province. It is not fair that merchants of Canadian standard be called upon to compete with oriental standards uncontrolled.

Chain stores featuring 15 cent articles are positively a menace to the florist wherever they operate, as they also have found a very attractive loss leader in cut flowers.

Mr. FACTOR: May I interrupt in reference to florists. I have here some pay envelopes of men working for florists in Ontario, getting as low as \$5 a week for a 51½ hour week, \$7.20, \$7.80, \$5.10, and so forth. Therefore the standard of the men working for florists in Ontario seems to be almost as low as in your province. I want to submit that to the committee later on, \$5.10 a week for 51½ hours, \$5.15 for 51½ hours, Mr. Chairman.

Mr. SOMMERVILLE: Are these clerks or greenhouse men?

Mr. FACTOR: Men employed by florists.

Mr. SOMMERVILLE: In greenhouses?

Mr. FACTOR: Greenhouses in Ontario towns.

*By the Chairman:*

Q. Will you be good enough to continue?—A. Milk: Information has already been furnished to this committee as to the advantages of the distribution of milk being subject to a commission as is now operating in the province of Alberta. Vancouver merchants recognize that the farmers in the Fraser Valley—that is territory within 75 miles of the city—are very potential purchasers of their merchandise. They received an appeal from the producers to stop slaughtering dairy products. In March and April, 1933, we were able to get independent retailers into line and had it not been for the insistence of one of our largest chains that they would continue to sell at a cut price regardless of the request of the farmers, milk distribution would have been able to realize one cent a quart more for their milk. We submit that it surely is "unfair practice" when one chain outfit can prevent independent merchants co-operating to assist one of our basic industries so much in need.

Q. Is that the end of that point?—A. Yes.

The CHAIRMAN: It is obvious, gentlemen, that we cannot finish with this witness before one o'clock, so we will have to meet this afternoon. We might stop at this point and re-assemble at 3.30.

The committee adjourned at 12.55 p.m. until 3.30 p.m.

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### AFTERNOON SESSION

The committee resumed at 3.30 p.m.

The CHAIRMAN: Order please, gentlemen. We will now proceed with Mr. Matthews. This is the statement you presented this morning?

The WITNESS: Yes, sir.

*By Mr. Sommerville:*

Q. You have finished with the first part of it?—A. Yes, sir.

The CHAIRMAN: All right, go ahead, please.

The WITNESS: Hardware.



*Exhibit No. 18.*—Is an advertisement of a Department store which appeared in the Vancouver Sun, February 28, 1934, offering:

2,000 pieces of Kitchen Aluminum at . . . . .	.65
This was regular wholesale price.	
100 Rakes at . . . . .	.39
Being also the wholesale price.	
Daisy Tea Kettles at . . . . .	.15
Which cost wholesale 5 cents more than retail price, or in other words . . . . .	
	.20

*Exhibit No. 19.*—Is a letter from one of our members which partly reads as follows:

On January 24th, I purchased from Marshall Wells Ltd., Vancouver, some Barn Door Track No. 50 at 15 cents per foot F.O.B. their warehouse. I believe this is the correct wholesale price. After paying 15 cents per foot and cartage in Vancouver, and freight, I sold this at 20 cents per foot on credit, this nets me about 15 per cent. My customer wrote Woodward's for a quotation on the same line. They quoted 15 cents per foot. I had to come down in my price, or lose a good customer:

This is how it works out:

100 feet No. 50 Barn Door Track . . . . .	\$15 00
Freight . . . . .	65
Cartage . . . . .	25

My actual wholesale cost . . . . . \$15.90

Woodwards price for the same, \$15 retail F.O.B. Mayne Island.

I have in my possession Woodward's letter February 1.

What chance does a small man have in competing against such prices?

*Exhibit No. 19A.*—This exhibit just came in the mail this noon, Mr. Chairman. It is from Kydd Bros., a retail hardware firm in Vancouver, who I thought were competing very well with the Department stores. This letter says: "For your information, we copied from Woodward's windows, the following prices on pipe fittings, showing also the wholesale price, to show you how impossible it is for any man handling plumbing supplies of this nature to compete." Among other things it sets out bushings— $\frac{3}{4}$  x  $\frac{1}{2}$  retail price \$11 per hundred, wholesale \$11.25 per hundred; reduced couplings 1", retail price \$25 per C., wholesale price \$30 per C.

*By Mr. Senn:*

Q. That is the price per hundred?—A. Yes.

Unions,  $\frac{1}{2}$ " retail price \$26 per C. wholesale price \$26.40 per C; elbows  $\frac{1}{2}$ " retail price \$12 per C., wholesale price \$13 per C; elbows  $\frac{3}{4}$ " retail price \$15 per C., wholesale price \$15.50 per C.; 1" retail price \$25 per C., wholesale price \$26.50 per C.  $1\frac{1}{4}$ " retail price \$40 per C., wholesale price \$44.50 per C.;  $1\frac{1}{2}$ " retail price \$50 per C., wholesale price \$55 per C.; street elbows  $\frac{1}{2}$ " retail price \$13 per C., wholesale price \$16 per C.

*By the Chairman:*

Q. Now, Mr. Matthews, that firm is an old, well established and substantial firm of, what do you call them?—A. Retail hardware dealers, one of the oldest firms, and one of our largest.

*By Mr. Factor:*

Q. Do the department stores handle plumbing supplies in your city?—A. This was Woodward's Limited.

*By Mr. Senn:*

Q. Mr. Matthews, I understand that these articles are usually traded in by the unit rather than by weight?—A. I think, sir, that that has been computed.

*By Mr. Kennedy: (Peace River):*

Q. Is the point of this that they are used as loss leaders?—A. No, the point raised is rather that it is just impossible to compete on the general situation.

*By Mr. Young:*

Q. Is that your experience in British Columbia, that in general lines they cannot compete?—A. Well, in other lines our real problem is the loss leaders, Mr. Young.

Q. If the loss leaders were eliminated, you could compete?—A. It would contribute materially to our assistance.

Q. You would not say you could compete?—A. I would not say so, no. The CHAIRMAN: All right, Mr. Matthews.

The WITNESS:

*Exhibit No. 20: Paint.*—Is a communication from another member which reads in part:

My staple line is paint, and I work hard in the selling of it. I quote two instances within the past six months. One prospective customer required some 15 gallons to paint his house. I gave him all the information, sold him on my colour scheme, outlined his process for him, and he went to the factory and purchased the lot at factory prices. The factory said he was entitled to it as an employee of B. C. Telephone.

*Exhibit No. 21: Wholesale owned retail store.*—This is another angle and is another letter from one of our members in Victoria who sets out quite clearly in his experience in endeavouring to compete with a wholesale owned retail store.

One of the greatest evils existing in the Hardware Business of B. C. is the unfair competition created by wholesalers selling at retail to customers. There is no City in B.C. where a wholesale hardware firm is established, that provincial and federal governments such legislation as will eliminate unfair is an exception. The position in which the retail hardware merchant finds himself is that of being absolutely unable to compete with the wholesaler who receives special discounts which, while they may be legitimate if operating a strictly exclusive wholesale, cannot be considered so if he is going to use this privilege to compete with the customers of the retailer.

Hardware dealers consider it very unfair that Power Companies, enjoying a franchise, should be permitted to be in the retail field and use the profits of the Power Company to make up the loss on their retail outlet. As this matter is being dealt with at length under the heading of our Electrical Section, it will serve to only make mention of it here.

*By Mr. Young:*

Q. That refers to cases like we had here last year where our hydro electric were giving away some kind of a heater if you would use their power?—A. This refers to the whole principle of the power company being in the retail field; and I have gone into that in detail just a little later on.

*By Mr. Factor:*

Q. Also to include the wholesaler not keeping exclusively in the wholesale line, and selling at retail?—A. That is the real problem, Mr. Factor.

*By Mr. Sommerville:*

Q. Do you mean selling as retail, that these wholesalers are selling at retail prices?—A. Absolutely. It is destroying the independent retailer.

*By Mr. Young:*

Q. You mean, selling as a retailer at the wholesale price from a retail outlet?—A. Absolutely, direct.

*By Mr. Sommerville:*

Q. Through his own stores?—A. Yes.

*By Mr. Young:*

Q. You have one case, owned by a wholesaler?—A. Yes, it is a retail outlet for the wholesale store.

Q. In that sense he sells from a retail store?—A. Yes.

MR. SOMMERVILLE: His own retail store?

MR. YOUNG: Yes.

THE WITNESS:

Mail Order Houses.—In referring to Mail Order Houses, we have in mind those who operate in a national way. We understand Provincial Governments have jurisdiction over local Mail Order Houses distributing within the Province. Retailers are called upon to pay their license and taxes to their respective municipalities; they recognize this is necessary. They recommend however that the Federal Government should require the Mail Order Houses to pay a tax for the privilege of doing business in competition with the resident of the municipalities.

They certainly feel that no parliament can be conscientious in discharging its responsibilities that justify inaction in not taxing Mail Order Houses simply because changes may be required to be made to the British North America Act.

I am quite sure upon that, Mr. Chairman; for 15 years the Independent Retail Associations have been bringing this matter before the respective governments and when we go to the provincial government, they say that they can do nothing because of the provisions of the British North America Act; and our retailers feel that if the problem exists, the powers that be should be able to cope with it.

*By Mr. Young:*

Q. Your grounds for that are that the retailer pays local taxes to the local government—the city, or town, or province—in which they are operating, and the mail order house escapes that?—A. Yes.

Cleaners and Dyers.—The Cleaners and Dyers Association represent 95 per cent of the business of this classification. Owing to the cut-throat competition of one or two concerns, who employ their families and apparently make little charge for the labour and the numerous Orientals who operate at a very small outlay and working hours far beyond the legal regulations and employing help at wages that it is very difficult to determine owing to their very unsatisfactory methods of bookkeeping. The Dry Cleaners are forced to meet the prices that cannot continue if the present standard of minimum wages continues. A thorough investigation is sought by the Cleaners and Dyers Association who are prepared to furnish the necessary evidence.

MR. FACTOR: Q. We have the same deplorable conditions in the cleaning and dyeing industry in Toronto too.

MR. SOMMERVILLE: Yes, it is very bad.

MR. FACTOR: Yes, they have communicated with me about this, too.



## The WITNESS:

*Exhibit No. 21A: Electrical Radio and Music.*—A review of the state of the Radio Service Profession in Vancouver, B.C., with special reference to the prevailing abuses in the retailing of radio tubes. Submitted by the Associated Radio Technicians of British Columbia. Dealers handling electrical supplies are experiencing exactly the same vicious and unfair competition as are other classifications of the retail trade. I quote from a wholesale distributor, the original letter having been addressed to the Chairman of this Committee, copy of which was sent to me: I quote in part—

An electrical item in common use, namely, Pullchain Sockets, is shown at 27 cents at retail, whereas the cost of this item to an electrical or hardware store is 32 cents. It is purely safe to assume that this concern is not losing money by selling at 27 cents and one can only further assume that by mass buying, they are purchasing at a much lower price than the ordinary store. Is there any wonder that our ordinary citizens engaged in business simply cannot exist?

This firm further states in their communication to me being

*Exhibit No. 22* from which I quote in part:

We are finding every day that, owing to the competition from Chain and Department Stores, our electrical and hardware dealers with whom we do business, are finding it more and more difficult to exist, and unless some legislation is forthcoming, the situation must become more serious.

*Electrical Appliance Dealers.*—Retailers of electrical appliances are unable to give the terms of purchase quoted by Power Companies because of not being in a position to render monthly bills for power use.

The Power Companies enjoy an unequal advantage in the collection of installment payments on appliances. When a person buys from them on credit, the balance is charged "on the light bill." This *implies* that unless payment is made when due, the customer may find himself deprived of light and power. Consequently, customers are prompt in paying their appliance instalments at the Power Company's Merchandise Department, even if other dealers with whom they have business are forced to wait. In this way the Power Companies use the Power monopoly given by the people to collect payment for retail purchases in a way which was undoubtedly never intended. Thus it competes unequally with retail stores.

Representatives of Power Companies reading meters have access to the homes and tabulate the requirements of each, using same as leaders, whereas independent retailers receive no such preferential by the householder.

The following resolution has been unanimously approved by all the trade sections of the City of Vancouver and also endorsed without a single exception by retail dealers of electrical appliances throughout the Province to whom it has been submitted.

It is a very long resolution, Mr. Chairman, and it really bears out the principle of what we are dealing with, so I will just file it with the committee.

The CHAIRMAN: Will you do that, please; it will be extended in the record:—

Resolution Business Practices Power Companies enjoying Franchise—

Whereas unfair practices are exercised by utility Companies to take unfair advantage of their unique position as a Power and Light Monopoly to embark on intensive campaigns to supply every house with all its electrical requirements, and

Whereas the retail merchants gathered together here claim that the harmful consequences of Power and Light Companies' intrusion into the

retail appliances field presents such unequal competition to the private individual engaged in the merchandising of electrical appliances, that the utility monopoly is forcing the independent and legitimate retailers to the wall, with consequent loss of capital and employment.  
Be it therefore resolved—

That this meeting of retail merchants go on record as requesting that the Government extend its investigation of unfair trade practices to the Light and Power Companies in regard to light and power rates charged in many communities, which in some cases are based on huge over-capitalization, represented in watered stock, and

Whereas if the Light and Power Utility wishes to increase its power revenue through the retail field, then it should be compelled to organize a subsidiary retail company, operating under a different name, and entirely separate from and financially independent of the Power Company. This subsidiary Company should stand on its own feet—pay its own management, rent, accounting, solicitation and advertising costs. It should be debarred from using the power of monopoly enjoyed by the parent company to bolster its own merchandising. Or, as an alternative, that the merchandising of appliances should be organized on a co-operative basis between the utility corporation and the retail merchants in such a manner that would capitalize all potential allies so that through group action the light and power utilities might increase their load and the independent retailers be enabled to remain in business. Such co-operative selling has been developed recently in various communities in the United States with very satisfactory results, and with fullest protection to the welfare of the community.  
Be it therefore resolved—

That protective legislation be enacted preventing light and power companies from entering the retail field and making use of their light and power monopoly to throttle the independent retail merchant.

Mr. FACTOR: In this connection, Mr. Chairman, will you permit me to interject the observation that I would like your permission to obtain a copy of the report of an alleged combine in the radio monopoly that was obtained by the Department of Labour.

The CHAIRMAN: Will the clerk please write to the Labour Department for that report.

All right, Mr. Matthews.

*By Mr. Factor:*

Q. Are the Power Companies in your province privately owned or publicly owned?—A. We have what is known as the B.C. Electric Company.

Mr. SOMMERVILLE: It is a privately owned monopoly which operates under a franchise.

*By Mr. Factor:*

Q. If I got you right, they charge for appliances on the bill for power?—A. Yes. One purchase which I know was made was a Ruud Heater which cost \$28 and is charged on the bill at \$1 a month, and you pay that with your electric light bill, spread over a period of 28 months; and the footnote on that bill says that if this bill is not paid on a certain date, power and light may be disconnected. True, it does not say that allowance will not be made if you do not pay on the appliance; but the inference is if you do not pay the whole bill, your power and light will be discontinued.



*By Mr. Young:*

Q. Do they sell it cheaper than the trade would sell it?—A. No.

Q. But they furnish advantages in the shape of terms?—A. Exactly. Now, Mr. Chairman, would you like me to read the resolutions to which I referred.

*By the Chairman:*

Q. I suppose it covers the points you have outlined?—A. It does exactly that, and outlines the general conditions.

Q. We will have it extended in the record but if there is any special point to which you would like to direct attention you might mention it?—A. There are just two points: we consider it unfair that the power company be allowed to retail, to use appropriations from the power company and its offices to make up losses in the retail store; and we consider that if they do insist on retailing there should be a subsidiary company formed with its own capitalization, so that it would have its own financial structure in which these losses could be shown.

Furriers.—Reference has been made to the difficulty of securing conviction, for fraudulent advertising notwithstanding the recent amendment to the Criminal Code. The furriers of Vancouver have had a very sad experience in this connection.

*Exhibit No. 24* is an advertisement of a furrier who advertises very extensively and we feel very questionably. We submitted this advertisement to our legal department and the City Prosecutor, and it was considered to be a very glaring case of misrepresentation. The item to which we took exception reads as follows:—

33 Super Hudson Seal Coats—Trimmed with Ermine, Silver Fox, Kolinsky, Fitch and Dark Mink, including beautiful long roll collars and wide overwraps. A coat that will appeal to the woman who wants the best at any price. Regular \$400. Last chance at from—\$149 to \$195.

Mr. YOUNG: What date would that be?

Mr. SOMMERVILLE: That would be July 19, 1933.

Mr. YOUNG: July—that would be mid-season; between seasons.

*By the Chairman:*

Q. Just before you read that, what is your point in reference to this date?—A. I will give that here.

We purchased one of these coats for \$149. Upon examination it was found that the coat had been lengthened and that the quality of the Hudson Seal could not be considered as being "Super," in comparison to Hudson Seal coats which were being sold by the largest retail dealers at \$185 and \$200.

This case was tried by the Police Magistrate. We laid two charges:—

1. That the coat purchased was not a Super Hudson Seal.
2. That the coat was advertised as being regularly a \$400 coat, whereas it was not a \$400 value.

The magistrate decided that he could not ignore the evidence of one witness, who had stated he believed the coat to be of excellent quality and good value for \$149. We lost the case.

In addition to advancing legal expenses to assist the City Prosecutor, the furriers who were members of our organization, rather than be subjected to publicity, also are putting up \$50 each to defray the expenses of the furrier accused, as he threatened to take action for damages.



*By Mr. Young:*

Q. How was that charge laid, Mr. Matthews?—A. Under the criminal code.

*By Mr. Sommerville:*

Q. How was your charge worded?—A. That the coat purchased was not a super-Hudson seal; and, that the coat was advertised as being regularly a \$400 coat, whereas it was not a \$400 value.

Mr. FACTOR: The law considers that more or less puffing; it is an exaggerated statement.

*By Mr. Ilsley:*

Q. Does this word "Super" have any technical meaning?—A. Except in its implication.

*By Mr. Sommerville:*

Q. The code's language is very broad and refers to misleading advertising that contains false statements, and the false statement here, "regularly \$400," one would think would justify a conviction under those circumstances. What was the reason you did not appeal?—A. Well, the matter was taken up with our own solicitor and he strongly advised appealing. He said, "Absolutely, don't you put up any blood money." However, we called our furriers together, and there was a little different angle to it then. These are our most reliable merchants in the city, and they pointed out, "Now, hold on, if we get into the press, and the public see that we are being accused of raising prices, that won't do." I was also accused along with the furriers, and we have subscribed to putting up our \$50 along with them rather than bring our members into the limelight.

Mr. FACTOR: I personally went to one fur store in Toronto, and for a caracul coat they wanted \$375; for practically the same coat the price in the department store was \$700. There is a large spread there.

The WITNESS: The reliable furriers of Vancouver as well as merchants in practically every other class of business, feel that they have little protection from fraudulent advertising, and they believe that in the interest of the purchasing public a thorough investigation should be made; and if it be found that the criminal code does not afford ample protection to the consumer and reliable merchant, then such changes should be effected as will bring about this protection.

*By Mr. Ilsley:*

Q. You having made a case against the criminal code, proven by the instance you have given?—A. The point is, in bringing these matters before the city prosecutor—he is a very busy man and it is unfair to expect him to give the time to the prosecution of cases coming under the criminal code.

*By Mr. Factor:*

Q. He would be a still busier man if we made more laws restricting these things, would he not? If the lawyer had given it more time you might have succeeded in obtaining a conviction; is that what you are referring to?—A. exactly. Then, hairdressing—

Mr. SOMMERVILLE: Hairdressing does not come within the purview of the committee. We will just pass that over.

The WITNESS: That is a matter of labour.

*Exhibit No. 25A: Plumbers.*—An advertisement of Woodward's Limited, as follows: "Water closet combination, \$19.95." The wholesale price to plumbers is \$22.25. Ball valve with rod and float, \$1.85 and the wholesale price is \$1.89.

*Exhibit No. 25B: Furniture.*—An advertisement of chesterfield for \$49.50 on terms. It is made in Vancouver by local manufacturer and sold to the retailer at wholesale price of \$46.11. One lamp and shade advertised for \$1.69. This standard lamp is manufactured by the Monarch Manufacturing Company of Vancouver and sold for \$1.90 wholesale.

*Exhibit No. 25C: Men's Clothing.*—An advertisement of a department store of two pant suits at a new high for quality for \$13.95 including the famous Harris tweed in order to give the advertisement the real kick necessary to attract the purchaser. I want to read this letter as it is not marked confidential. It says:

Attached to this letter is a copy of an advertisement issued by the Hudson's Bay Company on a special sheet published by the Sun Newspaper Company on February 28, 1934, for sale on the first of March. This advertisement refers to the "Great Clothing Classic," to the "Spectacular Event," to "A New High for Quality" at a record sale price of \$13.95. An examination of these garments, both as to material and workmanship, satisfies those of us who are experienced in the men's clothing business that if these garments are made of "a new high quality" as advertised, they could not be purchased from the manufacturer at the price they are advertised to sell at. Therefore it is our opinion the above would have to be made in shops under adverse conditions to the people who make them, and further, if this is a fact, they could be bought from the manufacturer by mass buyers for eight or nine dollars each.

*By Mr. Factor:*

Q. Harris tweeds?—A. So he says. Continuing:

In view of this fact we consider this advertisement to be unethical and implying values that do not exist.

Yours very truly,

THOMAS FOSTER & CO. LTD.

(Sgd.) T. H. FOSTER.

The CHAIRMAN: Before you leave that, if the hon. gentlemen would like to know, I have noticed this same sort of thing: a suit of clothes with the extra pair of pants in the body of the advertisement indicated as \$2.25 extra, whereas up above it says two pant suit and top coats at \$13.95.

Q. I presume that is one of the features that attention is being drawn to?—A. Yes.

*Exhibit No. 25D: Gasoline, Auto Accessories and Tires.*—An advertisement of a department store advertising high-grade tires 30 by 3½, \$4.39, which is slightly less than a third-grade tire. This tire was examined and found to be third-grade and not high-grade, if high means one of the better grades.

*By Mr. Young:*

Q. What does high-grade and third-grade mean? Are there any standardized grades in tires?—A. It is largely implication.

Mr. ILSLEY: There must be first, second and third. You say there is the third grade.

*By Mr. Kennedy (Peace River):*

Q. How many grades are there below third?

*By Mr. Sommerville:*

Q. In tires, there are apparently three grades, first, second and third?—A. Yes.

*By Mr. Young:*

Q. Who grades them? They are not government grades; they are grades of the individual manufacturer. I would take it that each manufacturer would have his own first, second and third grade, and a third-grade Dunlop might be entirely different from a third-grade Firestone?—A. I don't think the manufacturers would admit that, Mr. Young.

The CHAIRMAN: The advertisement reads: "High-grade tires that give exceptionally fine service for prices that save you real money; all tires and batteries installed free of charge at the Bay parking lot." Then it follows: "Guaranteed Parkside tires complete with tubes, one of the finest values in 4-ply tires, 30 by 3½, at \$4.39."

*By Mr. Factor:*

Q. Were they 4-ply tires?—A. Well, this statement says they are third-grade tires. It does not refer to the ply.

*By Mr. Sommerville:*

Q. They may be 4-ply, but third grade?—A. Yes.

Mr. SENN: A defect in the manufacture, in some way.

Mr. BARIBEAU: Seconds.

*By the Chairman:*

Q. The point in the thing is that they are advertised as high-grade tires?—A. The implication is that they are high grade. They can be only one of the better grades.

The CHAIRMAN: That is the point in the complaint.

*By Mr. Factor:*

Q. Trying to make the public think they are first-grade tires?—A. Exactly, if high means one of the better grades.

Mr. SOMMERVILLE: Everybody would assume that.

The WITNESS: Batteries: Batteries are also included in this advertisement which says "Ideal for 90 per cent of the cars running." Examination revealed same was of inferior construction and in no way ideal.

Gasoline: Woodward's Limited and Vancouver Motors Limited cut the price of gasoline one cent per gallon regardless of what the retail price may be. They positively refuse to co-operate with the other 340 dealers in Vancouver. Woodward's Limited claim they advertise they sell for "less" and must do so. It is believed that this is made possible because of secret rebates. The practice of oil companies in forcing the dealer to handle exclusively one line of gas under penalty of having to be charged one cent a gallon more is a matter that should receive a most rigid investigation. The unfairness to the dealer in this case is that even though as an independent dealer, handling two or more brands of gas, he may sell five times what the exclusive dealer does, he must pay the penalty of one cent a gallon for his independence.

*By Mr. Sommerville:*

Q. Is that the usual practice, that anybody handling more than one grade, one variety or one brand of gasoline, has to pay a cent a gallon more?—A. There are no exceptions with the smaller dealers.



Is this not suggestive of a strong combine and does it not at least justify that the policy governing the sale of petroleum products should be governed by a "commission"?

*By Mr. Young:*

Q. Is there any truth in the report that Woodward's were selling gasoline two cents below anybody else, and one day they issued a circular to their customers saying they could not do this any longer because the refinery had threatened to cut off their supplies of other petroleum products if they did not stop it?—A. I am not familiar with that.

Q. I heard that such a circular was issued by Woodward's.

*By Mr. Ilsley:*

Q. They sell just one make, do they?—A. I don't know that. Their price is always under the regular price; and of course, when I say regular price, the price of gasoline is set because of the company's station setting it.

*By Mr. Factor:*

Q. The independent dealers are unable to compete?—A. Exactly.

Q. They are doing pretty well in Toronto; I mean, in the sense of being able to compete with the other gasoline refiners?—A. Reference has been made to the Minimum Wage Act being provincial in scope, and in our opinion this is the one weakness of the act.

We have information from a large candy concern in British Columbia that owing to lack of enforcement of the minimum wage in eastern Canada, manufacturers can ship their commodities to western Canada at less than the local manufactured price. We therefore submit that the Minimum Wage Act of our respective provinces could be made more equitable if the application of same were considered from a federal standpoint.

Q. Is the minimum wage the same in British Columbia as it is in Ontario and the maritime provinces?—A. I think not.

Q. Is it higher?—A. Ours is higher.

Q. What is your minimum wage there?

Mr. SOMMERVILLE: I think he said this morning it was \$12.75.

The WITNESS: That is for girls. I am not familiar with the factories.

The CHAIRMAN: We have the law here, we have it on file here.

*By Mr. Factor:*

Q. That applies to males?—A. No, not to males.

*By Mr. Young:*

Q. The point I want to make is this, if the minimum wage is higher in British Columbia than in Ontario, then the Ontario manufacturer would have the advantage over your local manufacturer?—A. That is a positive statement of fact.

Q. It is?—A. Yes.

Mr. SOMMERVILLE: The difference is not very great, though.

*By the Chairman:*

Q. You use that for the basis of a suggestion that some effort should be made to make it uniform throughout the dominion?—A. Yes.

Q. That is your suggestion?—A. Yes.

*By Mr. Sommerville:*

Q. Well, is not the statement largely made because of want of enforcement of the minimum wage in the east; it is not the difference of a dollar or fifty cents that affects you so much as the lack of enforcement in the east?—  
A. I think it is both.

It is the opinion of the retailers of our province that the following have contributed very largely to present very unsatisfactory conditions:

1. Fraudulent and misleading advertising and "going out of business" sales.
2. Advertising of "loss leaders."
3. Premiums, secret rebates and advertising allowances.
4. Mail order houses not being required to pay a tax.
5. Wholesalers selling to consumers.
6. Wholesale owned retail stores.
7. Power companies using profits from power to make up loss on their retail establishment.
8. The Anti-Combines Act in its present form being capable of unfair interpretation.

If in addition to being interested in the causes of depressed business, this committee is interested in learning of our effort during the past month to at least make a small contribution toward recovery, I will be glad to outline some of the trade practices that have been agreed upon by our grocers and meat dealers, and which have been subscribed to by merchants in Trail, Nelson, Cranbrook, Chilliwack, Mission, Cloverdale, Langley, Prairie, Ladner and Vancouver.

We are indeed very happy to be able to report to you that these "trade practices" though originating with the retailers, have been so fair and broad in their scope as to receive the endorsement of public bodies such as the organizations referred to following. I was very thankful to receive a wire that the practices had been chosen by the ministers of Christ Church cathedral and the First Baptist church, Vancouver, as suitable subjects to be included in their evening sermons and fully subscribed to.

Exhibit No. 26 is a letter from the president of the Vancouver Council of Women, an organization of over nine thousand consumers, addressed to us.

I might say, Mr. Chairman, that we forwarded these consumers, as an organization, a copy of these practices because we wanted their opinion, and at the same time we asked them to subscribe to anything they could in making up our brief, and this is the letter of the president of this organization.

*By Mr. Factor:*

Q. When did you first inaugurate putting into effect the fair trade price?—  
A. We experimented with our radio dealers last September, and then when the information came of this committee sitting other merchants seemed to be interested and we then tried to get them together. Prior to that we could not get them together. This is the letter:

It is a pleasure to co-operate with you in the preparation of your brief for the Dominion committee inquiring into business conditions and practices in Canada.

You will realize of course that the time allowed was very short and we realize the inadequacy of our report. Although only a few members of the executive could be called in to help, I feel sure that the following statements would receive the approval of the general body of the Vancouver Council of Women.

Advertising.—The statements made in the advertisement of goods we believe should be truthful in every particular and that the merchants

should be held responsible. With many types of merchandise, the consumer is fully dependent upon the honesty of the merchant for a true estimate of its value. The purchaser may be deceived easily.

At sales, goods are often advertised as being reduced from a high selling value when actually the sale price is the normal value. Thousands of inexperienced and heedless buyers are induced to buy, to their own loss rather than to the loss of the merchant.

Untrue and indefinite statements made about the grade of meats, butter and other commodities rob the purchaser of the full return for money spent.

*By Mr. Young:*

Q. Untrue statements made about the grade of meats. Meats are graded by the government, are they not?—A. But it is not. Apparently, Mr. Young, the merchants sell them as graded. That is the weakness.

Q. If he says this is grade 1 and it is not, he is breaking the law, is he not.

Mr. FACTOR: He advertises. He does not put the grade in the newspaper.

Mr. ILSLEY: He issues an untrue statement about grades, which is a little different.

Mr. SOMMERVILLE: He might refer to high grade meats.

Mr. YOUNG: There is no such thing as government high grade meats. The government grade is A, B, or 1, and there is an untrue statement made in that case.

The WITNESS: You see, in so many of the advertisements, Mr. Young, the word "choice" is used.

*By Mr. Young:*

Q. Is that a government grade?—A. It is not, but "choice" implies that it is high grade.

*By Mr. Ilsley:*

Q. Does anyone pay any attention to these things?—A. Yes, they do. That is one very sore point with the retailers.

Mr. SOMMERVILLE: They should not be used.

Mr. FACTOR: The people are very gullible.

Mr. ILSLEY: I cannot help thinking that there must be some limit to the gullibility of the public.

*By Mr. Senn:*

Q. Is it not true that there is such a thing as labels for beef granted by the department or departmental officials, and that a concern will not put up in their window "we are selling blue label beef," for instance, and then they may have two or three carcasses of that kind in their store?—A. The weakness there, Mr. Senn, is that it is not compulsory to sell only graded meat.

Q. That is it, that is where they get away with it.—A. Exactly.

Profits.—After a fair margin of profit is allowed to the producer, distributor and retailer, the advantages which have been gained by virtue of efficient management or change of conditions should be passed on to the consumer. A business, unduly increasing profits and in the position where it can maintain its own market price, should be compelled to recognize its duty to the consumer.

*By Mr. Young:*

Q. That is, to pass on the benefits of any increased efficiency to the consumer in lower prices.—A. Yes:



Wages.—The consumer should be assured that every business must give their employees fair wages. With the awakened conscience of to-day there is a large group who wish to know that values offered are not made possible by the exploitation of the employees. A legal standard of wage should be set up and strictly enforced.

*By Mr. Young:*

Q. Have you any idea, Mr. Matthews, how the wages paid to employees in departmental stores compare to the wages paid by others?—A. I have no record, Mr. Young.

Premiums.—Inducements, such as premiums, coupons, grouped articles, which are offered to the consumer if certain brands of merchandise are purchased work to the ultimate disadvantage of the consumer.

*By Mr. Ilsley:*

Q. What about these one cent sales, take Rexall for instance, and that kind of thing; you frown on those practices, do you?—A. I rather take it we can infer from that letter that perhaps there is a change coming in the minds of our women purchasers as there is in the minds of our retailers, and that they recognize there is a place in the picture for the labourer and that price is not the only thing to be considered.

The CHAIRMAN: Some hope yet to agitate the public.

Mr. FACTOR: It would be interesting to have a housewife give evidence to see if she agrees with that statement.

*By Mr. Sommerville:*

Q. This is from how many representative housewives?—A. Nine thousand, sir. This is the work of weeks, Mr. Chairman, in connection with trying to put the retailers house in order, and if the committee is interested I will be very glad to read it.

The CHAIRMAN: Go ahead.

*By Mr. Factor:*

Q. Recommendations?—A. Just what we are trying to do.

*By Mr. Sommerville:*

Q. Fair trade practices amongst retailers?—A. Exactly. When we first held our mass meeting after the Honourable Minister had made his speech it was quite evident that the retailer had gained fresh hope, and that the retailers, as a body, were prepared to get together. It had been our experience before, that it was very difficult to get the retailers to meet. However, after we had our first mass meeting it was clear we had to meet in sections. The grocers could not discuss meat, and shoes and clothing, so we agreed to have our sections together, namely, grocers and meat dealers in an endeavour to see if some of the trade practices could be eliminated immediately, and particularly so if there was to be legislation which would bring the odd chap into line who just would not play.

*By Mr. Young:*

Q. What do you mean by "trade practices?" That is unnecessary expenses or doubtful practices.—A. Doubtful practices. Our grocers met, and at a mass meeting they have selected these as a basis for the elimination of these trade practices. (Exhibit No. 63).

1. That we consider it to be unfair trade practice to advertise or display a combination of goods involving the giving away of one or more articles.

2. That no food or grocery retailer shall practice in his section or locality price discrimination which is designed or in any way effective in injuring competitors.

That perhaps should be explained. We had a Safeway Store open up a branch immediately opposite the Hudson's Bay store. That particular part of our city was well served with stores. The advertisements of the Safeway Store read:

These prices applicable only at our downtown store.

In other words, the Safeway Stores for the city of Vancouver did not recognize the prices advertised except you went down opposite the Hudson Bay and did business at that one particular store. We feel that is unfair.

*By Mr. Young:*

Q. Are not these people cutting each others throats that way?—A. Yes, they are. I can swear that too, Mr. Young. Up to the time that the Safeway Store opened their branch we had no complaint regarding the Hudson's Bay cutting prices in groceries and meats. After that it was a war.

*By Mr. Sommerville:*

Q. In other words, the Hudson's Bay, an old respectable house, had to meet its competitor with its competitor's own weapons?—A. Absolutely.

Q. And that to the detriment of the whole trade?—A. All the dealers and grocers in the city, sir.

Mr. FACTOR: I am glad to hear one departmental store as being quite respectable.

The WITNESS: This continues:

3. That all butter be graded into recognized grades, and that names or numbers be used for each grade, so that the consumer may easily recognize the quality being offered for sale.

*By Mr. Ilsley:*

Q. That is for one commodity, is it?—A. Butter, yes.

5. That the manufacturers discontinue the practice of supplying and paying for window and interior display and space for their products, and of supplying free demonstration privileges and of making allowances in any form for newspaper advertising.

6. That it shall be unfair competition for anyone to sell, offer for sale, or advertise to the public as retail, any merchandise at less than the net invoice cost plus ten per cent to insure that labour cost shall be partially covered.

Nothing in this paragraph, however, shall be interpreted to prevent seasonal clearance of merchandise, so advertised or plainly marked, or of perishable or damaged goods, so advertised or plainly marked, nor shall any retailer, for the purpose of discontinuing the handling of such goods when so advertised or plainly marked be stopped from selling merchandise at less than net invoice cost plus ten per cent to insure that labour cost shall be partially covered.

Regarding our meat dealers their code is as follows:—

1. That all advertising shall clearly indicate the exact grade or classification of each item offered to the public, so that the consumer may have a standard by which to judge values offered.

2. That the meat dealers negotiate with the packing houses to have all meats stamped according to grade, and that such grade be accepted as the one to be advertised.

I might say we are going to try in the meantime, Mr. Chairman, to see what we can do with our packers. We may not be able to do much but we are going to try to put that in operation if we can.

*By Mr. Factor:*

Q. You seem to be getting along very well without the committee?—

A. That is our hope, sir. I can tell you better two months from now. We have not met them yet.

3. That beef be graded and advertised as follows: Steer beef grade 1, 2 or 3; heifer beef grade 1, 2 or 3; cow beef grade 1, 2 or 3.

4. That lamb and mutton be graded and advertised as: Spring lamb grade 1, 2 or 3; yearling grade 1, 2 or 3; mutton grade 1, 2 or 3.

5. That veal be graded and advertised as veal, grade 1, 2 or 3.

6. That bacon be sold as graded, and the name and the brand be stated in the advertisement.

The following is an illustration of this point:—

Swifts Premium or Swifts Empire.

Burns Shamrock or Burns Dominion.

Our meat dealers reported one case of where they could not quite understand the advertised prices of bacon, so they went down to the establishment and they found a carton of one of these respective brands behind the pile of bacon, but the bacon in front of the carton was another brand entirely.

7. That fowl be graded and advertised as: Young roasting chickens grade 1 or 2, fowls, stags.

8. That liver be advertised with a definite description as follows: Beef liver, pork liver, lamb's liver, calve's liver.

9. That all frozen meats, poultry, and fish always be advertised as such and indicated with each item, as illustration—"spare ribs frozen."

The CHAIRMAN: Well now, Mr. Matthews, I am sure we have listened with a great deal of interest and attention to what you have had to say. Are there any questions that the members of the committee want to ask Mr. Matthews before he leaves.

Mr. YOUNG: Yes, I would like to ask him one or two.

Q. You spoke about the methods of handling bankrupt stock and you also spoke about fraudulent advertising, and I was not sure whether it meant fraudulent advertising of bankrupt stocks, or the fraudulent advertising and the handling of bankrupt stocks. What have you to say about that?—A. In that connection, Mr. Young, we have firms that will buy a bankrupt stock say of \$3,000. Vancouver is a good place to dispose of it; it is shipped to Vancouver; it continues on for a year under the head of bankrupt stock but with new purchases always feeding it.

*By Mr. Factor:*

Q. They keep feeding it with regular stock?—A. Exactly, and our dealers feel that is not fair. It is all right to dispose of that stock but it should not be fed with new material.

*By Mr. Young:*

Q. This new material is not sold at the cheap price?—A. Absolutely no.

Q. And it is the public that are being deceived?—A. Exactly.



Q. And that is a fraudulent advertisement?—A. It is very hard to prove, but we think it is.

Mr. SOMMERVILLE: You see there your difficulty is, there may be some portion of the bankrupt stock still remaining on the premises, and as long as it remains on the premises they can meet your prosecution by saying "some of our goods are bankrupt goods and, therefore, we are justified in advertising it as bankrupt stock."

The WITNESS: That is right, sir.

Mr. SOMMERVILLE: That sort of thing has been tried but has failed a number of times, just on that account.

*By Mr. Young:*

Q. There is just one more question, Mr. Matthews. What would you say of the advertising of the average moving picture?—A. That is one classification, Mr. Chairman, that we have not in our organization.

The CHAIRMAN: We want to thank you very much, Mr. Matthews.

The WITNESS: Thank you very much, Mr. Chairman.

Witness retired.

The CHAIRMAN: We will hold our next meeting on Tuesday, unless there is notice to the contrary.

The committee adjourned at 4.25 P.M. to meet again Tuesday, March 20, 1934, at 11 o'clock A.M.



HOUSE OF COMMONS, ROOM 368,

March 20, 1934.

The special committee appointed to inquire into price spreads and mass buying met at 11 o'clock a.m., the Hon. H. H. Stevens presiding.

Mr. Norman Sommerville, K.C., of Toronto, and Mr. W. W. Parry, K.C., of Toronto, appeared as counsel for the committee.

The CHAIRMAN: Order, gentlemen. The minutes of the meeting of March 15, and the executive minutes of March 1 and March 15, are before us. If there are no objections, we will declare them adopted. Have you any exhibits to file?

The CLERK: I beg leave to file a copy of the Toronto Telegram and Daily Star of November 30, 1933, in connection with Mr. Hougham's evidence. These are advertisements regarding turkeys.

Mr. YOUNG: Did you say turkeys?

The CHAIRMAN: Yes. You will remember that Mr. Hougham gave certain evidence, and he said that he would file the records. These are the records.

The CLERK: The exhibit will be No. 40A.

The CHAIRMAN: Now, gentlemen, this morning we are to have the privilege of hearing Mr. McCallum of the Department of Agriculture, the live stock marketing branch, and we will ask Mr. McCallum if he will please come forward.

JOHN M. MCCALLUM, called and sworn.

*By Mr. Sommerville:*

Q. Mr. McCallum, what is your official position in the Department of Agriculture?—A. Chief of the marketing service of the live stock branch.

Q. What comes under your jurisdiction in that office?—A. Previous to the first of last September my work was concerned wholly with the administration of the Live Stock and Live Stock Products Act as applied to stockyards and live stock exchanges.

Q. In Canada?—A. In Canada.

Q. And since September?—A. And since September 1, my duties have been increased by being given supervision over the horse work in the Dominion of Canada, as well as responsibility for hog grading services throughout Canada under my assistant, Mr. L. W. Pearsall.

Q. Mr. Pearsall assists you in that department?—A. Yes.

Q. That is the hog grading department throughout Canada is under the direct supervision of your own department; and in that department Mr. Pearsall is the gentleman directly in charge and responsible to you?—A. Yes.

Q. Will you be good enough, Mr. McCallum, to give to the committee a statement of the live stock situation and marketing practices at the present time in Canada?



The CHAIRMAN: May I just indicate, Mr. McCallum, that I think the committee would like very much if you could just outline the whole situation from your experience and knowledge of the case; and then later, or as we proceed, there will be questions that members of the committee will wish to ask.

The WITNESS: I was just going to suggest to the hon. minister that possibly a picture of the whole situation of our administration of the Live Stock and Live Stock Products Act with respect to stock yards and live stock exchanges might not be out of place.

Mr. SOMMERVILLE: I think that would be very desirable.

The WITNESS: The development of stockyards as live stock marketing centres in Canada seems to have followed the line of settlement from east to west. A stockyard was established in the early days, about 1885, in Montreal; as the flow of population went westward, shortly after that, a stockyard was established in Toronto; and then as western Canada became settled and centres of population grew up, stockyards were established there. It is not at all strange that the packing industry is located at stockyard centres, the surplus live stock of the various provinces finding its way to these consuming centres where stockyards have been established; also reaching the packing plants which have been established at these consuming centres.

Previous to the year 1917, no supervision was exercised by the government with respect to stockyards or stockyard marketing. At the request of the various live stock interests throughout Canada, preparations were made in 1916 and in 1917 to bring stockyard marketing under Dominion government jurisdiction, with the result that in 1917 the Live Stock and Live Stock Products Act was enacted, under which both stockyards and live stock exchanges were brought under Dominion jurisdiction.

*By the Chairman:*

Q. That is 1917?—A. 1917. There is a copy of the act, Mr. Chairman.

*By Mr. Factor:*

Q. What are live stock exchanges?—A. Live Stock exchanges are associations composed of the men who are actually engaged in the practices of buying and selling live stock at stockyards, voluntary associations of these men interested in that process of purchase and sale.

*By Mr. Sommerville:*

Q. For the purposes of the record, when you refer to the Live Stock and Live Stock Products Act, you are referring to chapter 120 of the Revised Statutes of Canada?—A. Yes. The first act has been amended several times.

Q. It has been amended, and it is now chapter 120, an Act respecting Live Stock?—A. Yes. At the time of the passage of this act, there were some seven public stockyards in Canada; two in Quebec, both located in Montreal, one at the east end of the city owned and operated by the Canadian Pacific Railway, and one known as the West End Yards, owned and operated by the Canadian National Railway; one stockyard in Toronto; the Union Stockyards of Toronto; Limited; one in Winnipeg—

Q. Just as you go along, and this might be an opportune time to do it, if you could indicate who own various stockyards, whether they are owned by railways or by governments or by private enterprise, I think it would be well to do so.

*By Mr. Ilsley:*

Q. You have given the first two?—A. I gave the first two. The Toronto Union Stockyards is owned by a limited company.

*By Mr. Factor:*

Q. A private company?—A. A private company, yes, in which the railways have no interest. The Union Stockyards at St. Boniface, Manitoba, known as the Public Markets, Limited, are under the operation of the Public Markets, Limited, and is jointly owned by the Canadian National and the Canadian Pacific railways. Alberta Stockyards Limited at Calgary is a subsidiary of the Canadian Pacific Railway. Edmonton Stockyards Limited is owned and operated by a private company. Those are the seven yards that were already in operation when the Live Stock and Live Stock Products Act was put on the statutes. This act did not become fully operative until about 1919, in which year two other stockyards were established.

*By Mr. Ilsley:*

Q. Did you give us seven stockyards there? I think you gave us only six; two in Quebec, one in Toronto, one in St. Boniface—that is four; one in Calgary; that is five; and one in Edmonton, which is six?—A. I beg your pardon; one at Moose Jaw, Saskatchewan.

*By Mr. Sommerville:*

Q. Privately owned?—A. Also privately owned, or as it is known, the Southern Saskatchewan Co-operative Stockyards, more or less a co-operative company. It had not been fully in operation at that time. In 1919 the Moose Jaw stockyards and the Prince Albert stockyards, also a co-operative concern owned by private interests, were established and came under the act.

Q. You say "co-operative," that Prince Albert is co-operative; is Moose Jaw co-operative too?—A. It is owned by a joint stock company.

Q. I was wondering why you used the term "co-operative?"—A. Simply because they hitch that name onto their official name, the Southern Saskatchewan Co-operative Stockyards Limited, and the Northern Saskatchewan Co-operative Stockyards Limited.

Q. Misleading advertising?—A. Not your co-operative associations or pools, as they are regularly known.

*By Mr. Factor:*

Q. They are share capital companies?—A. Yes, they are share capital companies. Since that time three smaller stockyards have been brought under the operation of the act: a small stockyard owned and operated by the Saskatchewan Co-operative Live Stock Producers Limited at Regina; another small stockyard which is operated in connection with the same organization's abattoir at Saskatoon and the most recently established stockyard, that established at North Battleford, Saskatchewan, by the North Battleford Stockyard Company.

*By the Chairman:*

Q. They are under the act?—A. They are under the act. I might say that the yard at Regina operated a few years before it was brought under the act, because in the first place, the pool used it as a marketing centre for the output of their contract signers. They operated not for the general public, but more as a marketing centre for their own contract signers, which we thought was quite legitimate without bringing them under the act. However, after they started handling livestock for others than their own contract signers, and making specific charges, we thought it advisable to bring them under the terms of the act; so that, at the present time we have twelve stockyards in Canada, operating under the Live Stock and Live Stock Products Act.



*By Mr. Ilsley:*

Q. Is that stockyard at Regina a truly co-operative or is it a privately owned enterprise for profit making purposes for its investors?—A. No, I don't think it is a profit making enterprise. It was established primarily for the benefit of the Saskatchewan Live Stock pool and operated by them.

Q. And does the same apply to the one in Saskatoon, did you say?—A. Saskatoon, yes, there is one at Saskatoon. Unfortunately, the pool yard, if I may be allowed to call it that, at Saskatoon, is situated right directly across the road from the Union Stockyards at Saskatoon, a stockyard which had been established in 1927.

*By Mr. Young:*

Q. There are two yards at Saskatoon?—A. Yes, with splendid facilities and giving good service; but owing to the fact that in this smaller yard live stock was bought and sold, and settlements made to persons who were not members of the pool, we thought in the interests of consignors of that yard, that we ought to give them the same protection as consignors to other established yards were receiving under the Live Stock and Live Stock Products Act.

*By Mr. Ilsley:*

Q. What is the significance of being brought under the act, as you term it? You say you brought them under the act, and that they came under the act at a certain date. What do you mean by that? What change was made in their status to bring them under the act?—A. There was really no change made in the status of the stockyards themselves, other than that they were required to file with the minister a schedule of their fees and charges to be collected from those persons using them.

Q. If they are not under the act, they can charge anything they like; is that the idea?—A. Practically. In the second place, and possibly more important than the other, anyone thereafter operating as a commission merchant at those yards had to register with the minister a schedule showing the status of his operations, had to put up a bond of \$10,000 to guarantee the performance of his obligations as a commission merchant, and he had to operate his business through a shippers' trust account.

*By Mr. Sommerville:*

Q. All money goes in to that, for every commission merchant in Canada, into the shippers' trust account?—A. Yes.

Q. The act provides that the moneys due to consignors shall be paid out of that shippers' trust account, and that the commission merchant shall not use any of the moneys until after he has provided for the moneys due to the consignors?—A. Exactly.

Q. That is what you call it, the shippers' trust account as provided in the act?—A. Yes.

Q. So that by requiring that of these yards—and I believe all yards are subject to the same regulations—you have these conditions, that every commission man operating at these yards first of all gets a licence from your department?—A. Let me correct that. No, not from our department, from the Livestock Exchange.

Q. He gets a licence from the Livestock Exchange, and the Livestock Exchange is subject to regulations to be submitted to your department and approved by your department?—A. Yes.

Q. And the agent must file a satisfactory bond to the extent of \$10,000 to be responsible for moneys due by him to the farmers, and he must maintain the shippers' trust account into which all the proceeds of the sale of cattle go, for the farmers or consignors; and it is only after he has paid them that he can withdraw his own fees for his own commission and expenses?



*By Mr. Ilsley:*

Q. This legislation is for the protection of the shippers, is it?—A. Yes.

The CHAIRMAN: Just give your answers audibly, Mr. McCallum.

The WITNESS: Yes, sir.

*By the Chairman:*

Q. Did you answer Mr. Sommerville's question?

*By Mr. Sommerville:*

Q. You nodded your head, and the stenographer cannot get that down. You mean "Yes," do you, to what I said?—A. Yes.

The CHAIRMAN: I am forced to remind you that the reporters do not draw nods.

*By Mr. Young:*

Q. All the yards in Canada are under the act now?—A. Yes.

*By Mr. Factor:*

Q. Is it optional for any yard to come under the act or is it compulsory? How do you go about it?—A. It is required under the act itself, in the definition of a stockyard, that when a stockyard opens and provides facilities for the handling and the purchase and sale of livestock, and furnishes scales and loading chutes and yard facilities, that they are automatically a stockyard and are subject to the regulations described in the act.

*By Mr. Ilsley:*

Q. You said that one of them went on for a while without being under the act; how could it do that?—A. Well, this particular yard handled the stock of its own members under contract; it didn't have any obligations to others who were not its members.

Q. I understand.

*By Mr. Factor:*

Q. And then when it extended its facilities it automatically came under the act?—A. Yes, every stockyard company is subject to the order in council regulations passed in 1919, and which are included in this copy of the Live Stock and Live Stock Products Act. These regulations deal with the construction, equipment, operation and maintenance of stockyards.

*By Mr. Ilsley:*

Q. Construction, equipment?—A. —operation and maintenance of stockyards. These order in council regulations are attached to our office copy of the Live Stock and Live Stock Products Act.

*By Mr. Sommerville:*

Q. That is, your act goes further than merely bringing a yard under the act; it requires that yard to have certain facilities that your department deems necessary for the proper handling of the trade?—A. Yes.

Q. Both physical facilities and otherwise?—A. Yes. In addition to these regulations, every stockyard company has submitted for the approval of the minister another set of regulations embodying the rates and charges which they may collect, and outlining more or less definitely the services that they are prepared to give. Every stockyard company in Canada has also done that, and has received approval for their rules, regulations and schedule of charges.

Q. And these are subject to revision from time to time by the department as conditions may change?—A. Yes.

Mr. YOUNG: They cannot make any charge except as authorized by you.

*By Mr. Sommerville:*

Q. In other words, Mr. McCallum, the stockyard is not permitted to quote any rate except that which has been approved under departmental regulations?—A. They cannot do it legally. They may do it, but not legally—if it is brought to our attention.

Q. And then, Mr. McCallum, does your department from time to time, as you find conditions changing, require a reduction in the stockyard charges?—A. Yes, sir.

Q. In other words, you keep a supervision over the amount of the charges, so as to watch the interests of the producer?—A. Yes, sir.

Q. In connection with the stockyard charges, this might be an appropriate time to ask, do you require from each of the stock yards that they file with you a certified copy of their financial statement each year?—A. No, sir, the act does not require that the stockyard company file with the minister a certified statement of its business.

Q. Do you not in actual practice get from them a financial statement of their position from year to year?—A. At times we do, on request.

Q. Yes?—A. It may be a rather sketchy statement, but they do not as a rule refuse to give us statements.

Q. That is to say that although you may not compel it, when you request them to furnish a financial statement they comply with the request?—A. They usually do.

Q. And then when you examine that financial statement you can ascertain whether or not the amount they are receiving from the stockyard is sufficient, or more than sufficient to maintain their company and show a profit; from the financial statement you can ascertain what their profits are; do you ascertain them from their statement?—A. The statement that is usually furnished is not a very complete statement, it is simply a statement of their gross revenues and gross expenditures, and shows the amount of the balance between the two.

*By Mr. Ilsley:*

Q. How do you arrive at the basis on which they ought to charge? The ordinary public utility company usually have to make elaborate returns to show that they are not making excessive profits; on what do you base the fee, and the profits that the company is permitted to earn?—A. Well, the stockyard companies were brought under the jurisdiction of the act in 1917. The department in collaboration with the various stockyard managers set a schedule of yardage charges. I might just go a little further and state that the sources of revenue of stockyard company are three: first there is the unloading charge of \$1 per car on all live stock received at a stockyard. This unloading charge is the same as you pay the railway companies at their feeding in transit stations. For instance, between Winnipeg and Montreal there must be a stop for feed because the run cannot be made under the statutory 36 hours, longer than which animals cannot be kept without feed and water. That is the regular charge for unloading, and there is a charge of one dollar for reloading that applies to the different stockyards.

*By Mr. Young:*

Q. What does that include in actual service?—A. The railways deliver the loaded cars of livestock to the unloading docks of the stockyard. The railway company at the stockyards does not open the cars nor unload the stock.

Q. Do they charge switching charges there?—A. They absorb the switching charges.

Q. That is to say their rate is the same whether there is a switch in there or not?—A. Oh, I think so.



*By Mr. Edwards:*

Q. This change from one railway to the other is absorbed by the one which has the longest haul?—A. Yes.

*By Mr. Young:*

Q. Then switching in and out again, I want to know if they make a charge for that?—A. No, they don't, because take in western Ontario, where the rate per hundred miles is  $17\frac{1}{2}$  cents per hundredweight, they can go by the one railway or the other where they are competing lines, and there is no extra charge for switching them to the stockyards.

*By Mr. Sommerville:*

Q. Would you mind describing what these handling charges cover, Mr. McCallum?—A. The charge covers the service of breaking the seals on the cars, breaking down the partitions where such are in the cars—mixed cars have partitions in them to separate the larger from the smaller stock, and to protect the smaller stock—and the taking of these animals from the car into what are called holding pens right at the unloading docks. These operations are an important thing in the handling of live stock at stockyards, it is necessary to have this handling done in the shortest possible time because it is the consensus of opinion that more shrinkage takes place after the cars stop, and the animals get milling around in the car, than when the car is in progress, and it is most important to save shrinkage that this handling be done as quickly as possible, and that is a service done by the stockyard company which costs one dollar per car.

Q. And in a car of cattle there would be how many, approximately?—A. There might be from 20 to 32 or 33 head in a car of steers; from 70 to 90 in a car of calves, depending on their size—with the big rugged 400-pound calves, western calves which grow very large through running with their mothers in the summer—from 50 calves in the west, to 115 or 120 small veal calves in the east; and sheep, from 90 to 110 or 115 as the case may be.

Q. That is, unloading and putting in to the unloading pens?—A. That includes unloading and putting in to the unloading pens.

*By Mr. Kennedy (Peace River):*

Q. Does it cover the disposal of carcasses in case there are dead animals in the cars?—A. Yes, dead animals in the car have got to be removed; and downers—what they call downers and cripples—have to be removed and taken to a slaughter house and slaughtered under supervision, because they cannot be sold at stockyards as commercial stock.

Q. That is covered by this dollar?—A. Yes.

*By Mr. Sommerville:*

Q. Now, you have given us an idea of the service—

Mr. FACTOR: He says there are three sources of revenue.

Mr. SOMMERVILLE: That is one of the sources at any rate.

The WITNESS: The second source of revenue to the stockyard company is known as yardage, the basic charge for stockyard revenues. I may say that in Canada we have on the whole a very moderate scale of yardage charges, particularly when they are compared with the corresponding charges at American yards. The service which is known as yardage includes taking the animals from the holding pens on the unloading dock to the commission merchants' pen; putting them into these pens and locking the gate; it includes the service of weighing; it includes the service of providing running water; it includes the service of feeding; it includes the service of maintaining weigh masters approved by the minister—no weigh master at a stockyard can operate a stockyard scale



unless his employment has been approved by the minister—stockyard scales are regularly tested by the department of weights and measures, and also tested by the stockyard's own mechanics daily, and if not daily, at least weekly; includes the service of furnishing a scale ticket on which is included the weight of every animal, the price, the owner, the classification, and the buyer.

Q. That is all included?—A. This is included in the service of yardage.

Q. And this information is put on the ticket as the cattle go over the scale?—A. Yes, sir.

Q. What kind of a scale do you call it?—A. A type registering beam scale.

Q. One which weighs automatically and stamps on the ticket?—A. Yes.

Q. It does not come under the supervision of the weigh master at all to put the weight on the ticket—the scale does that automatically, types it?—A. Yes, and the scale ticket is put into that registering device, the beam shows the correct weight and a lever is pressed which then stamps that weight.

Q. Then the name of the buyer, the price and the name of the vendor are entered?—A. And the name of the commission merchant who negotiates the deal.

Q. They are all registered upon this ticket?—A. Yes.

Q. That is included with the yardage charge?—A. Yes, that is included in the yardage service; taking custody of the animals when they come off the scale, putting them in pens for the purchaser until whenever he requires to take delivery of them.

*By the Chairman:*

Q. Just a minute, what was the charge there?

*By Mr. Sommerville:*

Q. Now, will you give the yardage charge for this service which you have just described?—A. I have made the statement that yardage charges at Canadian yards is most reasonable. I think it was kept at a low figure to induce the largest possible volume of live stock to come to the stockyard to have the advantage of a public market, and the advantage of competitive salesmanship and competition in buying.

The yardage charges for cattle at the various stockyards is; I just want to make it plain that yardage is not a daily charge, yardage is collected only once on live stock passing through the stockyards—they may be there a few hours, or they may be there a few days—yardage is collected only once:—

**YARDAGE CHARGES AT ALL STOCKYARDS IN CANADA AND PRINCIPAL UNITED STATES YARDS**

Stockyards	Cattle per head	Calves per head			Hogs per head	Sheep and lambs per head
		Up to 300 lbs.	300-400 lbs.	Up to 400 lbs.		
	cents	cents	cents	cents	cents	cents
Montreal.....	25	10	15	.....	6	5
Toronto.....	25	10	15	.....	6	5
Winnipeg.....	25	.....	.....	15	7	6
Moose Jaw.....	25	.....	.....	10	6	5
Regina.....	25	.....	.....	15	6	5
Saskatoon—						
Union Yards—						
Rail.....	30	.....	.....	15	7	6
Truck.....	35	.....	.....	20	11	9
Pool Yards.....	25	.....	.....	15	6	5
Prince Albert.....	25	.....	.....	10	6	5
N. Battleford.....	25	.....	.....	10	6	5
Edmonton—						
Rail.....	35	.....	.....	20	8	7
Truck.....	40	.....	.....	24	12	10
Calgary.....	35	.....	.....	20	8	7

## OUTSTANDING UNITED STATES YARDS

Buffalo—						
When fed.....	30	.....	.....	25	12	8
Not fed.....	50	.....	.....	35	22	14
Chicago—						
By rail.....	35	.....	.....	25	12	8
By truck.....	40	.....	.....	27	14	10
St. Paul—						
By rail.....	34	24	.....	.....	11	7½
By truck.....	39	27	.....	.....	13	9½
(State does weighing at 1c. per head additional), sheep and lambs ½c.)						
Kansas City—						
By rail.....	35	.....	.....	25	12	8
By truck.....	40	.....	.....	27	14	10

So that in general our yardage charges in Canada are very reasonable in comparison with those which obtain across the line.

*By Mr. Factor:*

Q. Is there any reason for the American charges being higher; can you assign any reason, or is that a fact?—A. I can assign no reason.

*By Mr. Kennedy (Peace River):*

Q. What is the reason for the difference between the truck and rail charges?—A. I was going to explain that a little later on.

*By Mr. Sommerville:*

Q. You are going to do that in connection with truck prices; perhaps we had better wait until you give us the comparative figures.

*By the Chairman:*

Q. Now, what is the third source of revenue?—A. Would you mind if I run down the column of charges for hogs first.

The CHAIRMAN: Oh yes.

(Witness read figures relating to charges for hogs.)

The WITNESS: It might possibly be better if I would answer Mr. Kennedy's question now, as to why higher rates are allowed in Alberta than elsewhere.

The CHAIRMAN: Yes.

The WITNESS: In the year 1922 the stockyard companies in Alberta made representations to the government and to the live stock associations of western Canada to the effect that these were initiating yards and did not have the benefit of through billing which Winnipeg and other yards had, that they could not operate and show any surplus of receipts over expenditures. The matter was thoroughly studied by the Western Canada Live Stock Union and the department representatives, and it was agreed that they be given an additional ten cents per head on cattle, 5 cents per head on calves, and 2 cents per head on sheep and hogs, owing to the representations made which were found to be correct at that time; that is why yardage at these points is higher than it is elsewhere in Canada.

*By Mr. Sommerville:*

Q. They are originating yards?—A. They are originating yards.

Q. And there is no through billing coming to these points?—A. Very little.

Q. And in other points, take Toronto for instance, cattle from Saskatoon, Edmonton, Winnipeg, Moose Jaw, or Calgary go through Toronto?—A. A great many of them do.

Q. They are unloaded there, fed; there are charges then in that connection which are received by that yard—the Union Stockyards—which are handled on that yard from these western points?—A. Yes, but might I just draw to your attention that no yardage is assessed on through-billed stock.

Q. That is, yardage having been paid at Calgary, Edmonton or Winnipeg once, although it may go through two other yards subsequently, no additional yardage charge is made?—A. No, where it is on the through bill; until it is offered for sale.

*By Mr. Factor:*

Q. I thought Mr. Kennedy's question was, why the difference between the rates charged on stock received by rail and by truck?—A. That is another part of the same question. Live stock received by rail is subject to this unloading charge of one dollar per car; in the second place all live stock received by rail, is fed, because it usually arrives at the stockyard a considerable period of time before it is offered for sale, and must be fed to put it into sale condition. Truck stock loads nearer the place, possibly two or three hours before it is offered for sale, and practically speaking there is no consumption of feed by truck stock, and it is felt by some of the stockyard managers—and I do not find very much criticism with their claim—that the truck stock should pay a larger amount of yardage, when they make no contribution to stockyard revenues through feed, or through unloading; and that is why at these two particular points there is an extra charge for truck stock.

*By Mr. Kennedy (Peace River):*

Q. But it does not apply generally, does it; just at some particular points?—A. There is a reason why it does not apply to some of the other yards.

*By Mr. Sommerville:*

Q. They don't have truck stock at other yards?—A. Toronto has about 6,000 cars received by truck this year—standard live stock cars.

Q. Why is not the spread maintained the same in all yards, as between rail stock and truck stock?—A. I think that is fairly easy to explain. At Toronto they have two large packing houses located right across the street from the stockyards. There has never been any differentiation between the yardage of truck stock and rail stock because if the truckers were told, well now in order to have you pay your proper share for the use of the stockyard we are going to assess you 10 cents per head extra on cattle, 5 cents per head on calves, and 2 cents per head on hogs and sheep, it would simply mean that many truck drivers would not unload the 6,000 cars of stock that come to that stockyard at the stockyard at all, they would go direct to the packing house and avoid the extra charge.

*By the Chairman:*

Q. It would increase the already large movement which now goes direct to the packing houses?—A. Yes, it would increase the movement.

*By Mr. Young:*

Q. Now, Mr. McCallum, your point is that the stuff going to a stockyard and stopping there paid no yardage charge. What benefit does the Toronto stockyard get from handling such stuff? Do they do it free?—A. When that stuff reaches Toronto it goes on the Toronto market for sale, and as soon as it is offered for sale in the yard this yardage charge applies.

Q. It is not a charge if it is going to Montreal?—A. No. It does not go through Toronto in going to Montreal.



Q. We will take three points A, B and C, A being the originating point, B the intermediary point and C the final destination. Do they pay a yardage charge?—A. Yes. If offered for sale.

Q. At the originating point?—A. Yes.

Q. Whether it is offered for sale or not?

*By Mr. Factor:*

Q. You say the yardage only applies if offered for sale at point A?—A. Yes. Take Edmonton as your originating point. The live stock is there for sale on the Edmonton yard. If it were bought at Edmonton by a packer's representative or a commission firm buying on order for Toronto district the live stock would go through Winnipeg as through billed stop, and all that the Winnipeg stockyards would receive would be the unloading charge of \$1, a reloading charge and the value and profit for the food consumed. They would charge no yardage. If that came to Toronto consigned to a commission firm there and offered for sale the Toronto stockyard would collect the yardage.

*By Mr. Young:*

Q. There is a difference between the two yards at Saskatoon. How do you explain that?—A. Simply because when the pool yards started operating they submitted for the Minister's approval a schedule of charges which said 25 cents per head for cattle, 15 cents for calves, 6 cents for hogs, 5 cents for sheep, and we approved of it.

Q. They offered to do it for less?—A. Yes. They offered to do it for less.

*By Mr. Sommerville:*

Q. I understand they have a small yard. Is it associated with or attached to a packing plant?—A. It is.

Q. They had established it there?—A. Yes.

Q. First of all it was a yard that was used for the collection of their own stock for killing purposes?—A. Yes, sir.

Q. And then its facilities, although they were small and limited, were extended so as to allow others to use it?—A. That is the fact.

Q. But their investment—their facilities do not compare with those of the stockyards across the road?—A. They are small, and they can be operated very inexpensively.

Q. The capacity is limited?—A. Yes.

*By Mr. Kennedy (Peace River):*

Q. Mr. McCallum, before agreeing to the increased scale of prices in the yards I suppose you examined the financial statements of some of the yards in order to ascertain just how they were getting along, or how necessary that charge was?—A. I do not want to evade any personal responsibility, but when these increases were given in 1922 I had nothing to do with the stockyard work; but from the files I have seen evidence that the whole matter was thoroughly gone into—the receipts and expenditures of stockyard companies.

*By Mr. Ilsley:*

Q. You say that the western live stock union agreed to this increase for yardage?—A. Oh, yes.

Q. That is an association of producers, is it?—A. Associations of producers. The different breed associations throughout the west.

Mr. FACTOR: What is the third source of revenue?

The WITNESS: Profit on feed.

*By Mr. Ilsley:*

Q. With regard to these yardage charges being higher, as I gathered the yardage is charged when the live stock is sold?—A. Yes.

Q. Is it because a smaller proportion of the live stock is sold at the Alberta yards than at another yard that they have to have a higher per unit charge for yardage?—A. Yes. Alberta yards at that time did not get the benefit which a big yard like Winnipeg did on through bill stock from which they derived a revenue. The volume of live stock originating and coming to those yards was not large, and they had fairly large yards under good management, but it was found that they were not under the first charges authorized receiving enough revenue to equal the expense of operation.

Q. That was the reason all right; but the charges that a yard gets on through billed stock is confined to unloading and reloading charges?—A. And the profit on feed.

Q. But the basic charge, you said, was yardage?—A. Yes. That is the basic charge, because there are so many more animals offered for sale on yards than go through on through billing that the revenue on yardage alone is a big source of revenue.

Q. There would be on the stock handled by the Alberta yards—on all of it there would be a yardage charge whereas on the Winnipeg yards, on a lot of it, there would be an unloading and reloading charge?—A. Yes; but nearly every stockyard in Canada could handle at least 50 per cent more volume than it is handling now with a very slight increase in overhead.

Q. There is a small volume in the Alberta yards?—A. A small volume.

*By Mr. Sommerville:*

Q. And increased volume would involve decreased charges?—A. Exactly.

*By Mr. Young:*

Q. When you handle stock going through you feed it in those unloading pens?—A. No, sir, it is first put into the unloading pen and then moved to the regular feed pens.

Q. That is all covered by the unloading charge?—A. Yes. At Winnipeg there is a yard set apart for the through billed stock. The department takes the attitude that one yardage is enough to collect.

MR. FACTOR: Is the reloading charge the same as the unloading?

THE WITNESS: Yes, \$1 per car.

THE CHAIRMAN: You were going to tell us about the feeding charges. Would you give us an outline of that?

THE WITNESS: It is the charge on which the department and the stockyards throughout Canada get the severest criticism. "Under order in council regulation charges for feed and supplies for each calendar month shall be determined by adding to the wholesale market price for the preceding month a percentage plus a fixed charge for handling. The proprietor shall file with the Minister, not later than the tenth day of each month, statements of the average wholesale market price of feed and supplies during the preceding calendar month, and a statement of the charges in force during the current month. This statement shall be supported by such documentary or other evidence as the Minister may require."

Based on that order in council regulation, back in 1919 an arrangement was made with stockyard companies whereby they should add to the wholesale price of feed for the previous month a handling charge of \$4.50 per ton. That handling charge includes the service of unloading the feed from the cars, storing it in barns—because the stockyard companies have to provide for a few months in advance to be sure of their supplies—for keeping the hay insured,



for taking it from the barns and delivering it either to the mangers, as is done in most of the yards, or delivering it to the commission firms, to the fences above the cattle, as it is done at Winnipeg. That \$4.50 per ton is allowed for that service at all yards. The stockyard delivers at the order of commission firms so many bales or hundredweights. It is delivered, the bales are broken and the hay is delivered up in the mangers of the various commission firms at their order.

*By Mr. Factor:*

Q. The \$4.50 charge—is that irrespective of the wholesale price of the feed?—A. Yes, sir. That is a flat charge; a fixed charge for handling. In addition the stockyard companies have been allowed from \$10 to \$12 a ton profit on hay and feed. And that is the point that causes more criticism from those people who use stockyards than any other point that is raised.

*By Mr. Ilsley:*

Q. What is this feed—hay and other feed?—A. Well, straw hay and barley chop, as a matter of fact—barley chop is supplied for hog feeding.

Q. What about cattle? Do cattle get feed other than hay?—A. Cattle get nothing other than hay at stockyards.

*By Mr. Young:*

Q. Is this \$4.50 advanced plus \$10 to \$12 a ton?—A. Yes.

Q. How do you explain that?—A. On two or three different grounds. From statements which have been furnished from our three principal stockyards in Canada—the largest ones, Montreal, Toronto and Winnipeg—it has been shown that the whole revenue for yardage at these prices which I have given is taken up in operating the yard, and that the sole revenue that the stockyard receives for maintenance, repairs and interest on investment is from that spread on feed.

*By Mr. Ilsley:*

Q. Perhaps the American feed charges are smaller?—A. No. They are about the same. I think I have some of them here as well.

Mr. FACTOR: The yard is a sort of loss leader.

The CHAIRMAN: Yes. In regard to the practice of supplying hay, for instance, is that hay officially weighed, tagged and delivered to the purchaser or commission man?

The WITNESS: In eastern Canada when hay is baled every bale is tagged with its weight, and when a commission merchant orders two or three bales as the case may be, he pays for the exact weight shown by the tag on that bale. In western Canada that is not required—at least, if it is required, it is only recently. It is not required that the bales show the weight of the bale, and the average weight is taken by dividing the number of bales in the car into the net weight of the hay.

Mr. YOUNG: One man buys a bale of hay and another man buys another bale, and they both pay the same price regardless of weights; is that it?

The WITNESS: They pay a flat price in each western Canada yard regardless, because that system applies at all the yards in western Canada.

*By Mr. Sommerville:*

Q. The average weight is arrived at as the arbitrary basis for purchase?—A. Yes.

Q. A man may get a 95 pound bale to-day and a 105 pound bale to-morrow?—A. That is the fact.



Q. And the average is the basis arrived at—the average of the number of bales in the car divided into the net weight in the car?—A. Exactly.

Q. That is because of the fact that there is no tag on the bales in western Canada?—A. It is obvious that on occasions a man will not get as much hay as he pays for when he is buying the average weight of the bales, because there will be on occasion, I suppose, a difference of ten to fifteen pounds between the lightest and heaviest—possibly more than that—in the car; but it has not been found possible to weigh every bale. That would slow up the operation and greatly increase the cost. I might say that very very few criticisms have been received from men who patronize stockyards that they have not got as much hay as was charged for.

*By Mr. Factor:*

Q. How did the department arrive at these figures, \$4.50 a ton handling charge and \$10 to \$12 a ton profit? What factors entered into the arriving at this amount?—A. The \$4.50 charge is considered to be reasonable for the services performed—loading, storing, keeping insured, taking from the barn and delivering it, breaking open the bales or delivery to the fences, as the case may be; but the actual service performed is just about paid for by that \$4.50 per ton.

Q. It covers all the expenditures on the matters you have mentioned, and the labour?—A. Yes, sir.

*By the Chairman:*

Q. Does the stockyard employee do the actual feeding?—A. With the exception of Winnipeg, yes.

*By Mr. Kennedy (Winnipeg):*

Q. What practice obtains there?—A. They deliver the hay in truck loads, and it is put on what is called the fences—just above the feed racks of the various commission firms.

The CHAIRMAN: There is a walk around.

The WITNESS: Yes; and the commission firms keep those racks filled and feed the animals until they have them full before offering them for sale—just a regular practice—and they keep track of the number of bales fed to each man's consignment and charge him accordingly.

*By Mr. Factor:*

Q. What enters into the factor of fixing the profit of \$10 to \$12 a ton?—A. That figure was agreed upon possibly at that time in 1917 more or less by chance, but through the years it has developed that the revenue from yardage for operating leaves no surplus. While we think the hay charge is high, we would like to see it reduced, yet it has not been reduced, and the stockyard companies were allowed to receive enough revenue to maintain its plant and give the brand of service that we demand. If you reduce the hay very much you would have to give an increase somewhere else.

*By Mr. Ilsley:*

Q. They make monthly returns, you say, of the prices for the month before, and their rates for this month?—A. Yes.

Q. That does not give you anything upon which to base rates. Your rates would have to be based upon the financial statement of the company, would they not? Upon the profits of the company. For instance, you allow them from \$10 to \$12 a ton on hay, which seems a great deal. You say you have to do it, otherwise they would not make any money. The amount of money they are

entitled to make depends upon their investment, expenses of operation and many other things, I should think. The thing that occurred to me at the outset was that you should have elaborate and careful returns from those companies just as a public utilities commission requires from public utilities operating in their jurisdiction, in order to know whether you should allow them \$8 or \$10 a ton for profit upon that feed?—A. If we had the authority under the Act to investigate their books and records and possible factors and valuation on their actual investment, that could be done.

The CHAIRMAN: You have no authority now?

The WITNESS: We have no authority now.

Mr. ILSLEY: You should have it.

*By Mr. Kennedy (Winnipeg):*

Q. Those returns you speak of getting are rather sketchy, are they not?—A. Sometimes.

Q. Do you consider them of any real value as returns?—A. Some of them are.

Q. Yes, but in the main. If there are returns you cannot investigate and do not investigate—some of them are pretty sketchy—for practical value they are not of much good, are they?—A. Suppose that the returns were in a very full form, we have not even the authority to go and investigate the figures they have given.

Q. You are not answering my question. Inasmuch as such returns as you do get are in many cases sketchy, do you, as an official, consider them of much real value as returns?—A. The returns that we get from some yards, yes.

Q. Yes, from some, but generally, as a general proposition. I do not care how you answer, one way or another. As a general proposition in regard to the returns you get in that manner, do you consider them of any real value?—A. They are not of as much value as they ought to be as a price fixing basis.

*By Mr. Ilsley:*

Q. I thought you said a while ago that most of the returns you got were just rough statements of gross receipts and gross expenditures?—A. Some of them are; most of them are, yes. Not many go into any details.

*By Mr. Kennedy (Winnipeg):*

Q. You say most are of a rough nature, and are not of much value?—A. I say they are not of the value we would like them to be as a price-fixing basis.

Q. That is not a satisfactory answer.

*By the Chairman:*

Q. Probably we can get it if we put the question this way: Would you suggest that the department would be better served if they had a more complete statement, and had authority to examine the books upon which the statements were based?—A. Without any doubt.

Q. And you would welcome that, as a department official?—A. Yes.

*By Mr. Ilsley:*

Q. How much do you allow them as dividends, as a return on the investment; have you any basis for that?—A. There was more or less of a gentleman's agreement in 1917 that they should make not more than six per cent.

*By Mr. Factor:*

Q. You don't know whether that gentleman's agreement has been carried out, do you?—A. Not definitely.

*By Mr. Ilsley:*

Q. Do you make a physical valuation of their investment at all?—A. We have to be satisfied with the figures that they give us as regards their investment. We don't know.

Q. You don't know?—A. We don't know.

Q. You don't know whether they are over-capitalized or not, whether they have a lot of water in their capital; you don't investigate?—A. We have no authority to investigate, and we don't know.

Q. If they say they have to have eight or six per cent on a huge capital, you don't make investigations to see whether that capital is the actual investment or actual value or not?—A. No.

*By Mr. Young:*

Q. When you get the average price of hay—we will say the wholesale price of hay for the past month, and then you are going to allow them so much on that, how do you know that they buy the quality of hay they quoted?—A. Well, the quality of hay is under the supervision of our responsible representative at the stockyards; and if the hay is not up to the quality which it is represented to be, there is an adjustment made right away and a better quality of hay supplied.

*By Mr. Sommerville:*

Q. As I understand you, this monthly report is a report of the actual purchases of the previous month?—A. Yes.

Q. And it must come in by the tenth of the succeeding month?—A. Yes.

Q. And it must indicate the prices they have paid and the quality they have received?—A. Not the quality.

Q. Well, the prices they have paid?—A. Yes, the prices.

Q. And on that they indicate the prices at which they are selling during the succeeding month?—A. I may say, for the information of the committee, that quite frequently the cost price as shown on these statements is less than the wholesale cost price as shown in the press of the city in which the purchases were made.

Q. That being because they have bought some time previously and had it stored, is that it?—A. Yes.

Q. And bought in quantity?—A. Yes.

Mr. ILSLEY: Depending on whether the market is going up or down.

*By Mr. Young:*

Q. Sometimes it will be the other way around, will it?—A. It might be, yes; but over years I think it breaks even.

*By Mr. Ilsley:*

Q. Suppose you could fix this charge scientifically so as to allow these companies a definite return on the value of their investment, on the value of their plant or something of that sort, and that resulted in there being different charges for every point so that the charges at Winnipeg would be different from the ones at Calgary, and so on; would that create any practical difficulty in the trade?—A. It would not create any difficulty that could not be provided for. It is an advantage, of course, to people who are shipping long distances to have approximately the same scale of charges in effect.

Q. At the different points?—A. At the different points, yes; but this difficulty would not be insurmountable.



Mr. SOMMERVILLE: I think Mr. Ilsley's point is if you had hay charges for instance, at Saskatoon, that were \$10 a ton and had hay charges at Winnipeg that were \$6 a ton, would that create a preference in the matter of shipment to Winnipeg over Saskatoon?

Mr. ILSLEY: Yes, that is what I had in mind.

*By Mr. Sommerville:*

Q. Would that be a practical difficulty?—A. I think not.

Q. You think not?—A. I think not; the benefit of the big market would overcome that. The benefit of a big market, which is Winnipeg, might overcome any advantage that would accrue from the small amount of hay that would be used at the other yard.

Q. I think perhaps you did not get the figures correctly; I was suggesting \$10 at Saskatoon and \$6 at Winnipeg. Would the lower charge for hay at Winnipeg create a preference for the cattle going direct to Winnipeg rather than to Saskatoon or some of the other yards?—A. Quite likely it would.

Q. It does not take very much to divert cattle from one market to another, does it?—A. No.

Q. Have the direct receipts at stockyards been decreasing during the past number of years?—A. Yes, they have.

Q. And have those decreased receipts had any effect upon the maintenance of these charges for hay and services; has that been taken into consideration by you in allowing these charges to remain at these figures?—A. Yes, they have. They have to maintain the yard for twelve months in the year to accommodate a peak load for about eleven or twelve weeks. What I mean is this, that the bulk of the marketings at any stockyard occur during September, October, and November, when practically all the facilities of most of our stockyards are used to capacity. At other times in the year our yards are half empty, but the whole facility has got to be kept in a state of repair for twelve months in the year, to accommodate that peak load for eleven or twelve weeks; and that goes back to what I said before, that the stockyards could handle at least 50 per cent more stock than they are handling, with very little increase in overhead; and along with the reduction in receipts we have also taken into consideration that the whole plant has got to be kept in repair.

Q. In addition to the fact that you take into consideration the peak load capacity of a yard, do you also take into consideration the general trend away from the yards of direct shipment in the last few years by truck, or truck shipment to the packing plant?—A. Yes, particularly with respect to truck traffic, because live stock brought in by truck consumes no feed, and that means that the other stock has got to pay a heavier share of the burden than they really ought to bear.

Q. Have you, as a matter of fact, Mr. McCallum, in your department made an effort or made an experiment in having the charges reduced in the yard, to ascertain whether it would bring more traffic to the yard?—A. Yes.

Q. And what experiments did you make in that direction?—A. We requested the stock yard companies last year to make reductions in the price at which they sold their hay, their feed. Some made a reduction of two or three dollars per ton; some made a reduction of from twenty to twenty-five per cent.

Q. Two or three dollars per ton would mean a 10 per cent reduction, would it not?—A. Yes, about that.

Q. And some made a reduction of 25 per cent?—A. Yes.

Q. For a period of six months?—A. Approximately six months.

Q. And when the charges for hay were reduced from 10 per cent to 25 per cent, what did you find was the effect, if any, in increasing shipment to the yards?—A. There was no appreciable increase in the shipments to those yards.

*By Mr. Factor:*

Q. If I might interrupt, just for my information, what is the wholesale price of a ton of hay?—A. In Montreal at the present moment it is about \$15; in Toronto it is about \$10. It is going up every day in eastern Canada, and I shudder to think what the price of hay will be six weeks hence on account of the shortage of supply at the present time in eastern Canada. In some places it is \$9.50, some places \$9, some places \$11; I have not got these schedules with me showing what it is at different places, but there is quite a disparity in the wholesale prices at the various centres.

Q. And you add to that \$10 to \$12 a ton profit?—A. Yes.

Q. \$9 a ton, and then add \$10 or \$12 profit?

Mr. SOMMERVILLE: Yes.

*By Mr. Sommerville:*

Q. From the experiments that you made in reducing the charges with a view to increasing the run to the yard, what was your conclusion as a result of that experiment, Mr. McCallum, as to whether or not the reduced charges on these feeds increased the shipments to the yards as against truck shipments?—A. I came to the conclusion that there must be some other factor associated with the feed charge that would keep a bigger volume of stock from flowing to the yards when the feed was reduced. There must be some other factor along with the feed.

*By the Chairman:*

Q. That is, some other factor attracting the cattle away from the stockyards?—A. Yes.

Q. Other than the dear feed?—A. Yes.

Q. What, to your mind, was that factor?—A. There seems to be a desire on the part of a great many producers and shippers of live stock to get away from stockyard charges of all kinds, unloading charges, feed, yardage. I believe that has had a good deal to do with the increased truck shipments to packing houses where there is no unloading charges, where there is no feed charge, where there is no yardage charge. I don't think that the average shipper or producer takes a longtime view of the situation. He may think that for this week or next week when he has a load of stock to sell, "Well, I am freeing myself from these marketing charges by delivering direct to the packing house."

*By Mr. Sommerville:*

Q. And what in your judgment is the result of such a policy, having in mind the purpose for which the yards were established and maintained?—A. The stockyards were established and they are maintained as a public marketing centre where the patrons or consignors can have the benefit of competitive buying and competitive selling. Every head of stock or every load of stock that is diverted from that public market reduces that competition; that is, stock that is not sold at the stockyards cannot be said to be sold in competition. The benefits of competition are lost.

*By the Chairman:*

Q. And furthermore, would this be true: If a buyer or a purchasing company such as an abattoir secured say 60 or 65 per cent of its stock or supplies direct, then the necessity of competitive bidding on the stock exchange for the balance would be that much less?—A. Yes, that is true.

Mr. SOMMERVILLE: And be that much reduced.

*By the Chairman:*

Q. And the balance of the 100 per cent, that would be 35 per cent, still has to be purchased?—A. Naturally that would be true.



*By Mr. Sommerville:*

Q. And when the large buyer has a large quantity of cattle running direct, he therefore does not have to go upon the stock market to get this supply?—A. That would be true, if it applied to cattle; the volume of cattle going to packing houses is not particularly large.

Q. It is not as great as for others?—A. The biggest flow of live stock direct to the packers is with hogs.

Q. Take that situation; the same principle would apply to hogs, that the more you remove from the stockyards, the less competition there is on the stockyards?—A. That is true.

Q. And the less necessity for the packer to go on the stockyards to get his supply?—A. That is true.

Q. And therefore less competition?—A. That is true.

Q. Mr. McCallum, would not competition on the open stockyards in the long run overcome the whole amount that is involved in stockyard charges?

Mr. FACTOR: You mean in prices, a higher level of prices?

*By Mr. Sommerville:*

Q. By getting a higher level of prices through competition?—A. Well, we have this to depend on, the statements from the live stock exchanges and the various stockyard operators, that if all the live stock marketed at points at which they are established came through the stockyards, they could afford to reduce marketing costs.

*By Mr. Kennedy (Peace River):*

Q. Are packers inclined to pay more for stock coming in direct, or do they accept the price of the day made on the stockyards?—A. Well, that is a question that I cannot answer because I don't know. We know at a stockyard the price at which every animal or group of animals is sold, because we have authority to require that; but we have not authority to require the publication of prices or weights or classification of stock which go direct to the packing houses.

*By Mr. Sommerville:*

Q. In the competitive system in Canada, you regard it as being necessary to know the quality of live stock that is offered, don't you?—A. Yes.

Q. And you require to know the prices at which it is sold on each market?—A. Yes.

Q. And you require to know the source from which it comes?—A. Yes.

Q. You get all that information on the public stockyard, is not that a fact?—A. Yes.

Q. But you don't get any of this information in respect of stock that goes direct to the packing plants?—A. Except with respect to hogs. We know where they originate, because our graders at the packing houses have got that information.

Q. With respect to hogs, because you are grading at the packing plant, you know where they originate?—A. Yes.

Q. But otherwise you don't know the prices they pay for them, nor do you know the weights that are sold to the packing plants?—A. No.

Mr. ILSLEY: For what purpose is it required? With all deference, the question is not clear to me. You say in the competitive system you require to know this; for what purpose?

Mr. YOUNG: What do you mean by "you"?

Mr. ILSLEY: Yes.

The WITNESS: The department.



Mr. SOMMERVILLE: I mean the Department of Agriculture.

Mr. ILSLEY: For what purpose?

Mr. SOMMERVILLE: I will follow that up.

*By Mr. Sommerville:*

Q. Let me understand your present system in the Department of Agriculture; you have a representative at each of the stockyards?—A. Yes.

Q. Is that not a fact?—A. Yes.

Q. And when your stockyard opens, on Monday morning we will say, your representative learns the quantity of stock that is on that market?—A. Yes.

Q. And he learns what bids, if any, have been received on that market, and the prices at which cattle are sold or live stock is sold?—A. In other words, the state of the market.

Q. Yes, the state of the market; your representative gets all that information as soon as possible after the opening of the market when the state of the market can be ascertained?—A. Yes.

Q. And they have that information; your representative sends a wire to the representatives in the other markets advising of the state of that particular market; is that not a fact?—A. I might just elaborate on that.

Q. Yes, if you will; what is the system?—A. We regard Winnipeg as a very strategic marketing point and source of marketing information in Canada. Every morning our representative at Montreal, as well as our representative at Toronto, wires Winnipeg the volume of the receipts and the feeling of the market.

*By the Chairman:*

Q. In Montreal and Toronto?—A. Wires to our representative at Winnipeg. Up till very recently we have also been getting a daily wire from St. Paul and Chicago with respect to the state of the market there, but since we are not able to send any live stock there, we have discontinued that expense.

*By Mr. Sommerville:*

Q. It would not have an effect upon your market?—A. At Winnipeg, the Montreal and Toronto information is combined with the Winnipeg information at about 10.30 in the morning and wired to our other western yards, so that our men throughout Canada at all the yards know the state of the market throughout Canada on a particular morning.

*By the Chairman:*

Q. The Winnipeg market opens one hour behind Montreal and Toronto?—A. On account of the difference in time.

Q. The time differential?—A. Yes; in summer two hours.

*By Mr. Sommerville:*

Q. Then when your live stock men in Edmonton, Saskatoon or Calgary markets are opening their markets or shortly after, they have the information through your department, from Montreal, Toronto and Winnipeg; is that not a fact?—A. Yes.

Q. That information that is sent forward indicates whether or not the Toronto or Montreal market is draggy?—A. Or strong.

Q. Or strong?—A. Yes.

Q. It indicates whether it is heavy or whether it is active, does it not?—A. Yes.

Q. And that message goes out, we will say, from the Toronto yard at around ten o'clock, does it?—A. Say ten o'clock Toronto time.

Q. Suppose the packing plants in Toronto have received 30, 40, 50, or 60 per cent of their hogs or are receiving them by direct shipment; you have no idea what quantity they are receiving direct?—A. No, it is impossible to have that information.

Q. So that you do not know what is the full extent of the market at Toronto when sending out that information; you know only the extent of the stockyards market?—A. That is true.

Q. Then the packing buyers, having a supply of hogs or cattle running, may use that supply and remain off the market for a time at Toronto?—A. That is possible, yes.

Q. And you have known that to happen?

Mr. FACTOR: You mean fulfil their requirements off the yard?

*By Mr. Sommerville:*

Q. They don't have to buy right away? You know that happens? Everybody out there knows it—is not that a fact?—A. Well, it is a fact that buyers are not always as active at nine o'clock on some days as they are on others, and you can only draw one conclusion from that.

Q. You can only draw one conclusion from that, and that is there being no reasonable activity until ten o'clock, your wire goes out from Toronto indicating an inactive market; would that be a fair indication?—A. Yes.

Q. That is received by all the western yards, market inactive being perhaps below the previous market; would that be a fair indication of what your message might be if the packers' buyers remained inactive?—A. Well, it would be an indication that prices are off on the Toronto market.

Q. If it be an indication that they are off the Toronto market?

Mr. EDWARDS: Will you ascertain there if the figures of the buyers compare to those of wires sent out by the department?

*By Mr. Sommerville:*

Q. Yes. Now then, after these wires are sent out, and are received at Saskatoon on the opening of the market there—do these packers also have buyers out of Saskatoon?—A. Yes, the packers have buyers at Saskatoon.

Q. Yes, and what would be the effect, from your judgment as a live stock man, of the receipt of that wire at Saskatoon upon the market there—that the Toronto market is very inactive—and upon prices at Saskatoon?—A. Our experience has been that the packers' buyers usually have word long before our wires reach there in the morning, and that they have knowledge of the situation on the Toronto or other markets long before our men get it.

Q. A private service that is quicker than the government service?—A. Exactly.

Mr. FACTOR: How do they get that?

*By Mr. Sommerville:*

Q. They have their own men at the Saskatoon stockyards?—A. Yes, they have buyers representing the packing houses at the stockyards.

Q. Is it fair to assume that as a result of this combination of wires the market in Saskatoon drops a half cent, as frequently happens?—A. There is one thing I believe that would prevent a very serious drop, and that is that the packers at Montreal depend very largely for their supplies on western Canada.

Q. Yes?—A. And they have orders coming over the wire daily to the various markets and their orders would, I think, do as much in preventing a serious drop as the information from Toronto that there was a draggy market there.

Q. Well, let us leave out the word "wire," do you think it would have the effect of depressing the price at Saskatoon?—A. Naturally it would have a depressing effect.

Q. Yes, and then when sales took place on that depressed market, does your government representative then communicate the information to the Winnipeg market, or to the Toronto market?—A. No, our representatives at the various yards, with the exception of Winnipeg who advise other points in the morning, our representatives at all points send information direct to this department.

Q. Direct to Ottawa?—A. Yes.

Q. How does the information get back to the Union Stockyards at Toronto that the Saskatoon yard is depressed, and has dropped ten, fifteen, or twenty cents per hundred; how does that get back, by what system? Does that come from government sources, or does it come from private sources?—A. We make no general report for the press until Thursday afternoon. Our weekly reports are put out in this form (weekly live stock market report shown). It goes out on Friday; and through our radio service at various points the market at the various stockyards gets on the air.

Q. Yes, but is it not a fact that when the market is depressed at Edmonton, or Saskatoon, or Calgary, or Winnipeg, the information goes back to Toronto on that same market morning, whether by private or public sources?—A. I take it for granted that the information gets there.

Q. Yes, and then is it not a fact that this information going back is used by the packers' buyer at Toronto to bring the Toronto market in line with the depressed markets of the west?—A. I could not say definitely that that happens, but it is natural to suppose so.

Q. Well, all the markets keep in line fairly generally, do they not, subject to the differential in freight?—A. Subject to the differential in freight they are fairly well in line with the exception of Montreal.

Q. So that you have practically Calgary, Saskatoon, and Winnipeg conditions reflected in Toronto, subject to the differential in freight?—A. There would be this difference, sir, with respect to Edmonton and Calgary, where they have an outlet for Alberta hogs at the Pacific coast, and prices at Toronto would not affect them.

Q. They might possibly affect the question of hogs?—A. To quite an extent.

Q. Then have we fairly described the system by which market information passes from Montreal and Toronto to the West, and goes back again to the markets of the East?—A. Yes, we are responsible for getting that information to all our men, and to the public every morning.

Mr. ILSLEY: Why do you start in the east?

Mr. SOMMERVILLE: They open there earlier and their buyers are in the east.

*By Mr. Sommerville:*

Q. Then, Mr. McCallum, have I fairly outlined the system by which prices go out to the west and come back again to the markets of the east?—A. I am familiar with how it gets to the west, but the matter of the information coming back to the markets of the east does not come under our department.

Q. That does not come from your sources?—A. No.

*By Mr. Factor:*

Q. It is not official?—A. No.



*By Mr. Sommerville:*

Q. That comes from private sources?—A. Yes.

Q. But nevertheless when a break occurs on any of these western markets, or when there are reductions in price, that is immediately communicated to the eastern markets?—A. I would suppose so.

Mr. FACTOR: How do you mean? What information comes? How is it sent?

Mr. SOMMERVILLE: It is sent out within half an hour, as fast as the wires can carry it.

Mr. ILSLEY: I want to point out that Mr. McCallum says that he does not know anything about it, but just surmises that it gets out.

*By Mr. Sommerville:*

Q. Mr. McCallum, you were for years located at the Toronto yards?—A. No, sir, I was never at the Toronto yards.

Q. But you have a representative there?—A. Yes, sir.

Q. And you are in touch with the representative regularly, and have been for years?—A. Yes, sir.

Q. And have you observed the operation of the market system that I have outlined, the workings of that system in the course of your years of observation on the markets?—A. Yes, sir.

Q. Well then, Mr. McCallum, if a steadily increasing volume of live stock is removed from that market—from the stockyards market—will that have a beneficial effect or otherwise upon prices at that market?—A. It will not have a beneficial effect.

Q. It will not have a beneficial effect?—A. No.

Mr. FACTOR: You mean, removed by direct purchasing?

Mr. SOMMERVILLE: Removed by direct purchasing.

*By Mr. Sommerville:*

Q. Then does the direct purchasing put in the hands of the large buyer the opportunity, whether he takes advantage of it or not, of affecting the market on the public stockyard?—A. Would you mind repeating that?

Mr. SOMMERVILLE: Will you please read back that question?

The REPORTER: The question reads:

Q. Then does the direct purchasing put in the hands of the large buyer the opportunity, whether he takes advantage of it or not, of affecting the market on the public stockyard?

The WITNESS: It does affect the markets on the stockyards.

Mr. ILSLEY: Wherever you take off the supply, you take off the demand, too; if you take away the sellers, you take away the buyers; but where does it make any difference in the net result.

The CHAIRMAN: If you followed it through to a finish, there would be nothing left at all.

*By Mr. Sommerville:*

Q. May I put it this way, Mr. McCallum; is there any other public information on prices of live stock given to the people of Canada except the prices quoted on the stockyards themselves?—A. Not that I am aware of.

*By Mr. Young:*

Q. In other words, the stockyard prices form the basis of prices on cattle quotations throughout Canada?—A. So far as we know, yes.

Q. Well then, Mr. McCallum, perhaps you will give the committee the benefit of your views upon this situation: supposing in Alberta and Northern Alberta that you have all the hogs slaughtered at Edmonton 90 per cent bought direct and only ten per cent bought on the public stockyards; what do you say as to whether or not that is a healthy situation from the standpoint of the producer?—A. I had some figures prepared.

Q. Perhaps the figures may do even better on that?—A. That if 90 per cent—

Q. Suppose 90 per cent of the hogs slaughtered at Edmonton are bought direct; well let us put it at 95 per cent of the hogs slaughtered at Edmonton are bought direct, and only five per cent are bought on the public stockyards, and if the price on the public stockyards is the only quotation, is that a healthy situation from the standpoint of the producer?—A. In the long run I think not.

*By Mr. Factor:*

Q. Supposing we eliminate the stockyards altogether, and have the producers all go direct to the packers, what would the effect on the price then be?—A. There would be no price fixing, by stockyard competition.

Q. Then it would be entirely under the control of the packers?—A. There would be competition between the packers, instead of competition between packers, butchers, and eastern orders, so far as western men are concerned.

Mr. ILSLEY: We had a packer here who stated that it was the English market that fixed the price.

Mr. SOMMERVILLE: Supposing, following Mr. Factor's suggestion, we follow that question through. Supposing you had the stockyard eliminated entirely, then would this not be the situation; that you have the organized buyer dealing with the unorganized farmer or seller—would not that be the situation?—A. Yes.

Q. Has such a situation ever been to the advantage of the unorganized seller, that you ever heard of?—A. No.

Q. As a matter of fact is not it a fact that the stockyards have been encouraged and developed under government auspices for the very purpose of organizing the farmer for his competitive market?—A. I could not say whether that was in the mind of the department or not in taking the stockyards under government control. I look upon it in this way, the government has said to the producer of live stock in Canada, we have taken under our control the public stockyards and live stock exchanges.

*By Mr. Young:*

Q. Mr. Sommerville's question was about the government itself organizing stockyards and starting them to help the farmer?—A. That has not happened, and we have said the government—

Mr. SOMMERVILLE: I said, organized or encouraged; in some countries they have organized them distinctly, Mr. Young.

Mr. HEAPS: I wonder if you could find out if there is any differential between the prices received on the stockyards and places outside of the stockyard.

Mr. SOMMERVILLE: We will have no advantage in getting that at the present time, Mr. Heaps, but we will see that very clearly I think before the inquiry closes.

*By Mr. Factor:*

Q. In your opinion, Mr. McCallum, if some legislation is enacted limiting direct sale from the producer to the packer would that increase competition in the stockyards, and enhance prices?—A. Well, it certainly would increase competition.



Q. Would it enhance the price?—A. I think it would enhance the net return to the producer, because we could decrease the cost of marketing if all the live stock unloaded in Canada for slaughter purposes went through the public stockyard.

*By Mr. Sommerville:*

Q. Apart altogether from any question as to whether it would increase the price to the producer, it would decrease the cost of marketing?—A. Yes.

*By Mr. Kennedy (Peace River):*

Q. Has not the whole agitation for public stockyards been because of the idea of farmers at least that when they did not have them they were being exploited, and that they would get better prices on the open yards?—A. I think that was the idea of having stockyards established in the days when they were; a better place of marketing, where buyers and sellers could meet in competition, and have the benefit of competition in establishing fair market prices.

*By Mr. Young:*

Q. Who are the buyers on the stock markets; whom do they represent, at the Winnipeg stockyard for instance?—A. The big packers' buyers.

Q. The big packers' buyers located in Winnipeg?—A. Yes, the agents of eastern packing houses.

Q. The agents of eastern packing houses?—A. Yes, and small butchers of whom there are quite a few.

Q. Do they buy from the stockyard, and kill it?—A. Yes.

*By Mr. Sommerville:*

Q. For local purposes?—A. Yes.

Q. I thought they had to get their stuff from the packing houses?—A. No. In Montreal the big competition in buying is given by the small wholesale butchers who buy their stock at the stockyards and they have to have it slaughtered at inspected abattoirs. Then again there is the speculator who forms quite a competition in buying. Speculators of the Winnipeg yards, for instance, are in receipt of orders from Eastern buyers and they are competing with local butchers and the local packers for supplies.

Q. Yes, but the large buyers, however, do take the dominant place in the market?—A. Oh yes.

Q. Then, Mr. McCallum, will you be good enough to give us a statement of what has been the history of shipments direct to the packers, and to the stockyards; if you have it, showing the percentages—whether or not there has been an increase in the quantity going to the stockyards, and prices. Perhaps you have a statement covering that?—A. I could get that statement for you, I haven't it at hand. I would like to explain that the market service is composed of two main parts; the part that has the supervision and administration of the Live Stock and Live Stock Products Act with respect to market practices, the securing of bonds, dealing with complaints, registrations, prices of hay and the fixing of charges; the other part is purely statistical.

Q. And the markets' intelligence branch?—A. That is handled by the markets' intelligence branch. I will have to apply to them to get these figures, and I would be only too pleased to get for you any figures that you may ask for from the markets' intelligence service.

*By Mr. Factor:*

Q. Generally speaking, do you know whether the percentage of direct selling to the packers has increased?—A. Yes, it was largely confined to hogs up to a few years ago; but we find that a very considerable volume of lambs and calves in car lots and in truck lots are now going direct to the plant.



*By Mr. Ilsley:*

Q. That is the trend?—A. Yes, and particularly since the truck traffic has developed so spectacularly in Ontario. We believe that there is about as big a trend of truck traffic to the packing houses in Toronto as to the stockyards.

*By Mr. Factor:*

Q. Where the producer sends it direct to the packing plant if he can get a better price than in the competitive market on the stockyard?—A. He believes that he is evading the stockyard charges, the yardage, and all the rest of the charges.

The CHAIRMAN: He is doing that, as a matter of fact.

*By Mr. Ilsley:*

Q. And he is doing that to evade these charges?—A. He is either directly or indirectly evading them.

*By Mr. Sommerville:*

Q. Is he not encouraged by the packer to send to the plant because he can avoid these charges?—A. That may be, I could not give you a direct answer to that.

*By the Chairman:*

Q. May I ask, before we get away from this point, is it the practice of the big packing plants and the abattoirs to clean up all their stock towards the end of the week, Friday and Saturday; to get rid of the live stock they have on hand, and get it all cleaned up over the week-end?—A. I suppose, when they have it on hand; I think so.

Mr. YOUNG: Do you mean supplies of live stock, or dead stock—dressed meat?

*By the Chairman:*

Q. Live stock, and meats. Now, here is something I notice very regularly in the press, when I read live stock prices. I am going to read you one now and I am going to ask you if you would give an explanation of this state of affairs. Here is last night's paper; Toronto, March 19th, (this would be Monday evening's paper), with a heavy opening run cattle trade was at a standstill at the Toronto Live Stock Market this morning, and not enough sales were made to establish prices. Receipts as reported by the Dominion representative at Toronto were: cattle 2,520, calves 220, hogs 930, sheep and lambs 630. And then it said, quotations—cattle, hogs, sheep and lambs no quotations. Now, such statements frequently appear. Can you give us any explanation?—A. Yes, the explanation to that is that the buyers were not on the market making any actual purchases at the time that that statement was sent to press. It was a draggy market which would necessitate a heavy carry-over of stock until to-day's market, and possibly to-morrow's market.

*By Mr. Factor:*

Q. And that draggy market was, perhaps, artificially created by the large packers who, having already directly purchased from the producers, kept away from the market?—A. It could have been created that way.

*By Mr. Young:*

Q. If the packers wanted to create a draggy market could they not do it more effectively by refusing to buy anything in their packing houses, and forcing it on to the stockyards?—A. If it were all forced on to the stockyard.

*By Mr. Sommerville:*

Q. The other fellow would have a chance on it?—A. They could not afford to keep their plant in operation without enough supplies to keep it going to its capacity.

*By Mr. Young:*

Q. It works both ways. If the packer has got 65 per cent of his supplies at his door and has to go on the market for 35 per cent, he has got to get that to keep his plant going—if he refuses to buy anything at the plant door and has to go onto the market for all his supplies, it would have the same effect.

The CHAIRMAN: He could not sit for a day and do nothing; he would have to go any buy the first thing on Monday morning.

*By Mr. Young:*

Q. Suppose the stock comes into the plant in larger supply than in their yard?—A. With rail stock, Toronto and Montreal might be called a one-day market for rail stock. Most of the railway divisions have put on a special livestock train starting at one end on Saturday morning and picking up loads all along that division until towards Toronto they have a full livestock train. That has happened all the way over Ontario. That stock arrives at the Toronto market, say, Sunday morning, all the way from 4 o'clock to 8 or 9 o'clock. It is well fed on Sunday and Monday morning and offered for sale. Monday is the big market in Toronto for rail stock, but with truck stock we have it spread over the week—Monday, Tuesday, Wednesday and Thursday.

Q. Deliveries would tend to even out the market?—A. Yes, even out the market, lengthen it over the week. But there is this to be said. Very often no purchases are made in the morning until 11 o'clock, until it is seen how much truck stock comes in. The most of the truck stock in Toronto arrives between half-past ten and eleven, and the volume of truck stock has a good deal to do with establishing the prices to be paid that day.

Q. It is not the stuff that has been bought before the market opened by the packer, but the stuff that might come in during the forenoon which is holding the market back?—A. That is what causes, to a large extent, the lack of purchasing up until half-past ten or eleven o'clock, particularly in Toronto; they wait to see what the volume of truck stuff on that particular day is to be to know the available supplies.

Q. They know what is coming in by rail; they have to wait and see what is coming in by truck?

*By Mr. Sommerville:*

Q. They know what is coming into their own plants over the week end; they know what they have available on Monday morning?—A. Yes, by rail.

Q. And then, following up Mr. Young's question, if they had 65 per cent in their own plant they would have only to go on the market to buy 35 per cent?

Mr. Young: Do they have 65 per cent?

*By Mr. Sommerville:*

Q. If they had 65 per cent in their own plant they would only have to go on the market to buy 35 per cent; but the possession of the 65 per cent might enable them to wait until Tuesday or Wednesday before buying the 35 per cent?—A. Sixty-five per cent of the purchased supplies would be for 65 per cent of the week.

Q. Speaking of the market, the big market on Monday would have what effect upon that market at the end of the day?—A. A very draggy market and a carryover.



Q. And did you ever know a carryover to improve in price on the second day; or is it the general rule that it depreciates in price?—A. The carried over stuff is not as attractive to the buyers as the stuff that is offered fresh for sale on a Monday morning. The carryover for one day does not affect it very much, but when it has to be carried over three or four days it is more or less warmed up.

The CHAIRMAN: I interrupted you when you were dealing with stockyard charges, and you were going to give us a picture when we got into this question.

Mr. ILSLEY: May I ask a question?

*By Mr. Ilsley:*

Q. Take this packer who, by hypothesis, has bought 65 per cent of his requirements direct. Now, you say that if that 65 per cent were drawn into that stockyard it would make a greatly increased supply to the stockyard; but the packer was compelled to go and bid, and the price would be better than if there was a very much smaller supply in the stockyard and no packer there?—A. I did not say the price would be better. I said that we could afford to reduce marketing costs, and in that way increase returns to the producer.

Q. I understand that perfectly. Mr. Sommerville's point and the chairman's position appear to be entirely different. That is to say, irrespective of the cost of operating the market, if you arrange your market by taking off buyers and taking off sellers, by taking off both supply and demand, and on a theoretical basis considering them apart from operation costs, you leave your market in exactly the same position. You have reduced the supply tremendously and you have reduced the demand tremendously, and that the net result would be the same.

The CHAIRMAN: If you have fewer buyers and fewer sellers to the same extent, why is not the net result of your market exactly the same, except for operation costs?

The WITNESS: Well, there are not too many buyers at the best. The number of sellers remains constant.

Mr. YOUNG: No. Not if 65 per cent is sold out.

The WITNESS: Yes, because there are the same number of commission firms there handling stock to sell every week.

Mr. ILSLEY: They would have a lot less to sell.

The WITNESS: Yes, they would have a lot less to sell; but there would be the same number of sellers. To all intents and purposes it is the commission firm mostly who is the seller on behalf of the man who, possibly, has not come in with his stock. He may have less stock to handle, but there are the same number of sellers, and if he has only half the number of buyers he has not very much competition.

Mr. YOUNG: The pressure is removed. He has only 35 head to sell instead of 100.

The WITNESS: When the competition is not keen they are just as hard to sell as 100.

*By Mr. Young:*

Q. If he has 35 to sell and there is a demand for 35 or if he has 100 and there is a demand for 100 his position is identically the same?—A. If it is 100 he would have double the number of competitors and he could select one who would give the best price. He has only half the number of competitors now.

Q. Each packer has secured 65 per cent of his requirements. He has to go into the market now to buy the other 35.



*By Mr. Sommerville:*

Q. Would the 35 per cent bring a better price if offered to 100 buyers rather than 50?—A. No, it would not.

Q. With the greater competition?—A. The keener competition the higher the price level you are likely to establish.

Q. I do not think Mr. Ilsley and I are at cross-purposes at all, but I understood you to say that if all the conditions were exactly the same and you brought all the cattle to the market you could, at least, reduce the charges?—A. Yes.

Q. And you could, at least, give that benefit to the farmer?—A. Yes.

Q. And that in addition to that he could also have the benefit of increased competition, whatever that might produce?—A. Yes.

Q. Now, that is the situation.

MR. ILSLEY: It works at both ends. That is my question. I do not see that it makes any difference, but maybe it does.

MR. SOMMERVILLE: Perhaps we will have some marketing men before us who will discuss the situation.

*By Mr. Young:*

Q. Has not this situation arisen—I have known it to arise at Moose Jaw—where the farmer getting his stock in there would get the impression that the buyers were holding off. They were not going to bid and would hold up his stuff. He shipped his stuff to Regina where there was no stockyard and sold it to a packing house?—A. Yes. That might happen. I do not suppose it happens very often, but it could happen.

MR. SOMMERVILLE: He would have increased costs in doing so, would he not?

MR. YOUNG: It is quite common for him to load it up and ship it to Winnipeg. He would ship it to Moose Jaw if the buyers sat back and did not bid, or he would load it up and ship it to Winnipeg.

THE WITNESS: I take it every commission firm is under obligation to his consignor, to his customer. If he cannot get a satisfactory bid where the stock is and he can get a better price by shipping it on, that is what he ought to do.

MR. YOUNG: It is sometimes necessary to do it.

THE WITNESS: Yes, because the only thing that talks is dollars and cents.

*By Mr. Sommerville:*

Q. Is that not subject to this handicap that he ships it to a market where the same buyers are to be found—the representatives of the same packing plant buyers?—A. Yes, but there may be some condition applying at a smaller place that would be obviated by going to a larger centre.

Q. Where he would have a larger competition?—A. Yes.

*By Mr. Ilsley:*

Q. Now, is there organized buying publicly—the organization is private, of course—but do they go there combined to go to a certain level or something of that sort?—A. The charge has been made that that is a fact. I do not say it is true, because I do not know.

Q. Would there be any more difficulty about organized buying at stock yards than organized and private buying assuming there were no stockyards. I am taking your own phrase, Mr. Sommerville. I understood we were taking a hypothetical case raised by Mr. Factor, if there were no stockyards, and your question to the witness was: Then you would have organized buyers against unorganized sellers; these sellers would be going to the various packing houses

with what they had to sell and they would be met with this price which would be arranged in advance.

Mr. SOMMERVILLE: No, no, Mr. Ilsley. I am glad you mentioned that. The packer is a buyer with information on that market as to market conditions. He has more information about market conditions than has the farmer in the back concession. When the packer with his information goes into the farmer's yard, he is an organized buyer in the sense that he has organized his system of buying and knows what he wants to do. The farmer is an individual, unorganized, and there is no competition.

Mr. ILSLEY: Take the case when he does not go into the yard. You were taking the case when he did not go into the yard—when the farmer brought the goods to the yard.

Mr. SOMMERVILLE: It is practically the same thing, because somebody goes into the farmer's yard, whether it be the trucker or drover or the agent. Somebody goes into the farmer's yard and makes a deal which results in the cattle going direct to the point.

*By Mr. Sommerville:*

Q. Have you found that there has been a large increase in trucking?—A. Spectacular.

Q. And the trucker's interest is in getting the return on his trucking?—A. As a carrier.

Q. And getting as many truckloads as he can possibly deliver within a certain length of time; that is his interest?—A. He is selling a carrying service.

Q. And if he goes to the stockyards with his truckload he has to wait until the stock is sold in order to take back the money to the farmer?—A. Yes.

Q. Whereas if he goes to the packing plant with his truckload he delivers it at once and goes back to the farmer, or some other farmer to get another truckload; is not that the system?—A. That is the system as I understand it.

Q. And that works in favour of the packer because of the interest of the trucker in getting back and getting as many loads as possible, does it not?—A. Yes. I believe that is the reason so many go direct with truck loads, to get immediate settlement and evade stockyard charges.

Q. And then they get an increased number of loads. Now, are you aware of whether or not the packing plants pay any bonus to the truckers to bring a certain volume per week to them?—A. I have heard the statement made. I have also heard a representative of a packing firm say that they pay a certain price for hogs and pay the transportation charges, just the same, of course, as the man who will buy hogs on an f.o.b. basis shipped by rail. He will take the scale tickets at the point of loading and he will pay on the weight and pay transportation charges, and it is just as natural, I suppose, to do the same thing with regard to the trucking business.

*By Mr. Kennedy (Peace River):*

Q. Who checks the scale at the packing plant?—A. I could not answer that question because I do not know. We have no jurisdiction over scales at packing houses.

*By Mr. Sommerville:*

Q. When stock is brought to a packing plant, it is not weighed over the government scale?—A. Well, it is not a scale that is operated by a man approved by the Minister of Agriculture of Canada.

Q. It is operated by a man employed by the packing plant?—A. I think so.

Mr. FACTOR: It is government inspected.

*By Mr. Sommerville:*

Q. I presume it is government inspected like all scales; but I am told it is not a type registering beam scale such as you require in stockyards?—A. I have never seen hogs weighed at a packing plant. I have definite knowledge of one type registering beam installed in a packing house at Winnipeg. As for the others, I cannot say, because I have not seen them, have had no occasion to visit them.

*By Mr. Young:*

Q. In a type registering beam scale, it does not register until someone pulls a lever?—A. They have to squeeze a lever.

Q. To make it register.

Mr. FACTOR: Once it is squeezed, it is pretty accurate.

Mr. YOUNG: Yes, it is pretty accurate, but not necessarily squeezed at the right point.

Mr. SOMMERVILLE: Well, it is squeezed by the government representative in the one case, and in the other case by one who is not a government representative.

Mr. HEAPS: Does that make any difference in the weight?

Mr. SOMMERVILLE: Well, it may make a difference in the weight.

The ACTING CHAIRMAN: It is now one o'clock. The committee will adjourn until 3.30.

The committee adjourned at 1 o'clock until 3.30 p.m.

## AFTERNOON SITTING

The committee resumed at 3.30 p.m.

The CHAIRMAN: Order, gentlemen, and we will proceed. Mr. McCallum, I think, was not yet through, and I would ask him to come forward, please.

*By Mr. Sommerville:*

Q. Mr. McCallum, you were giving us a picture of the operation of live stock marketing when you were interrupted and we got into a discussion of the question of marketing practices. Will you be good enough just to continue? You have dealt, I think, with stockyards and stockyard charges; there are just the three branches of revenue; one is the loading and unloading charge; the second is yardage, and the third is profit on the sale of hay and feed?—A. Yes.

Q. Will you now proceed with the further presentation of the matter as you like to present it to the committee?—A. There is one other indispensable factor in stockyard marketing. As I explained this morning, we have the stockyard company which furnishes the building, plant and all facilities for looking after the live stock from the time it is received at the stockyard until it is sold and delivered to the purchaser.

*By Mr. Young:*

Q. That applies to the stock that comes to the packing houses as well as anywhere else, I suppose?—A. Certainly; the live stock that the packer buys is taken in charge by the stockyard company until delivery is taken by the packer purchaser, the same as any other purchaser. The stockyard really furnishes a warehouse service. They have no interest, financial or otherwise, in the stock which passes through their facilities.



There is the other very important factor, the live stock exchange, or where there are not enough operators to form a live stock exchange, the commission merchants. The act requires that there shall be a live stock exchange in connection with each stockyard operated under this act of which exchange every co-operative association, commission merchant and dealer doing business at such stockyard shall be a member unless it or he holds a special licence from the minister. At a number of stockyards in Canada there are not a sufficient number of operators to form a live stock exchange. Consequently under the authority of the act, section 10, special licences are issued by the minister to the persons operating in the capacity of commission merchants, co-operative association or speculator, as the case may be. When I use the word speculator, it is synonymous with the term dealer, meaning a person who buys and sells for his own account, not for commission, but buys and sells for his own account for speculative purposes.

*By Mr. Sommerville:*

Q. Another word might be operator, might it?—A. Well, we call all persons who are on the stockyards "operators" whether they are commission merchants, co-operative associations or dealers; but dealer and speculator and trader are synonymous terms. They are speculating on their own account, not on commission.

There are at present six live stock exchanges in Canada: Montreal, Toronto, Winnipeg, Moose Jaw, Calgary, and Edmonton. All of the operators at those yards are members of the live stock exchange. The live stock exchange, as I explained to an inquirer this morning, is a voluntary association of the men engaged in the buying and selling of live stock at that stockyard. As I said, the act requires that there shall be a live stock exchange. Section 8 of the act requires that a live stock exchange shall not be operated until the by-laws to regulate the management and business of such exchange have been duly approved by the minister, and a written notification of such approval has been sent by the minister to the secretary of such live stock exchange. The following paragraph of that section is a very important one: Such by-laws shall provide for the admission of co-operative associations, commission merchants and dealers as members of such live stock exchange on such terms and conditions as may be fixed by the by-laws which shall require every co-operative association, commission merchant and dealer to furnish satisfactory security to His Majesty for the proper discharge of all the obligations of such member.

*By Mr. Senn:*

Q. Does that security vary with different firms, with the operations of different firms?—A. No, sir. So far as the commission merchants, and co-operative associations at stockyards in Canada are concerned, the amount of the security is set at \$10,000. While the business turnover of some of the larger firms is four or five times greater than that of some of the smaller firms, the amount of security required is a standard amount, it being thought by the department that with the proper operation of a shippers' trust account, that amount of security is quite sufficient.

*By the Chairman:*

Q. Can a person do business at a live stock marketing yard if he is not a member of the live stock exchange?—A. No, sir, except as a buyer. He can buy. He does not have to be a member of the exchange. He does not have to put up any security to be a buyer, but to be a commission merchant, to buy and sell on commission, or be a speculator, he must be a member of that exchange.

*By Mr. Kennedy:*

Q. Mr. McCallum, has that security in the main proved adequate?—A. In the main, yes, sir. We have had very few occasions to call upon the bonding company to make good any defalcation of commission merchants. A most outstanding case happened at one of our stockyards three years ago, when a bonded commission merchant issued cheques in the sum of \$6,699 and some odd cents. We asked the bonding company—

*By the Chairman:*

Q. Which he failed to meet, I suppose?—A. Which he failed to meet, yes, sir. We made a demand upon the bond company but they contested the department's demand and after a good deal of litigation a verdict was given on behalf of the department for the full amount of the claim plus interest at five per cent from the time we made the claim on the bond company. That means that every producer or shipper of live stock who had been issued an N.S.F. cheque received the full amount of his claim plus interest at five per cent; that is the most outstanding case we have had. I am very glad to say that we have had very few occasions to call upon the bond company.

*By Mr. Kennedy (Winnipeg):*

Q. The full amount of that verdict was recovered from the bond company?—A. Yes.

*By Mr. Factor:*

Q. Mr. McCallum, I think you told us that there are twelve stockyards in Canada?—A. Yes.

Q. Where could we get information as to the financial make-up or structure of these companies? Would your department have that, that is the amount of shares issued, where is it a share capital company, and the shareholders and all that?—A. You mean of the stockyard companies themselves?

Q. Yes?—A. That would have to be secured from the owners of the stockyard company concerned.

Q. Your department has no information?—A. We have no authority whatsoever to require it from stockyard companies.

MR. KENNEDY (*Winnipeg*): I think that if these are provincial companies, that information would be on file at the provincial secretary's office at the parliament buildings.

*By Mr. Factor:*

Q. Are they all provincial companies?—A. I believe that they are organized under provincial laws.

Q. Provincial charters?—A. Yes.

*By Mr. Senn:*

Q. There is a stockyard act, a federal act, is there not?—A. Yes, we were discussing that act.

*By Mr. Sommerville:*

Q. This morning?—A. Yes.

*By the Chairman:*

Q. Just at that point, may I ask if you keep any record whatever of who are the owners of the stockyards?—A. Oh, yes.

Q. I mean who are the shareholders in the stockyard companies?—A. No, sir, we have no record. We know who the officers are; we know who the owners are, and in some cases we know who the board of directors are; but the shareholders, no, sir, nor the amount of capital held by those shareholders.

*By Mr. Factor:*

Q. In the returns which are furnished your department, there is no provision for furnishing you with a list of shareholders and the capital structure of the company?—A. No, sir.

The CHAIRMAN: Would you like to get that, Mr. Factor?

Mr. FACTOR: Yes, I would.

The CHAIRMAN: We had better make a note of that while we are thinking of it.

*By Mr. Young:*

Q. Did you say that there were six live stock exchanges?—A. Yes.

Q. And twelve different yards?—A. Yes.

Q. And you say that they are forbidden to deal unless they belong to an exchange; how do they do when there is no exchange?—A. In reading section 7 and subsection 1 of the act, I brought to your attention the fact that every co-operative association, commission merchant and dealer must be a member of the live stock exchange unless he holds a special licence from the minister.

Q. There are some stockyards in which everybody that is dealing deals by special licence?—A. Yes, because there are not enough operators at those particular yards to form a live stock exchange. At some of them there is only one operator. At Regina there is one operator; at North Battleford there is one operator; at the pool yard at Saskatoon there is one operator.

Q. Do you mean to say there is no competitive bidding at those yards at all?—A. Competitive bidding but not competitive selling.

*By Mr. Ilsley:*

Q. Only one man selling?—A. Only one man selling; at the Union Stockyards, Saskatoon, two commission firms; at Prince Albert stockyards, two commission firms. You will understand that with that small number of operators at each of the yards I have mentioned there are not sufficient to form an effective live stock exchange. Consequently in order to bring them under the terms of the act, by requiring registration, by requiring bonds and shippers' trust accounts, we do so by special licence for which authority is given.

*By Mr. Young:*

Q. In a yard like that where there is only one seller and a number of buyers, does that seller hold the buyers in his hand? Can he, by reason of the fact that there is no competitive selling, force the prices higher there than they are at other points?—A. I don't think so.

Q. Why not?

Mr. SOMMERVILLE: The buyer may go elsewhere.

Mr. YOUNG: Just let the witness answer, if you please.

Mr. SOMMERVILLE: Yes.

The WITNESS: At those points—at Regina, for instance, there is the packing house within a quarter of a mile from that little stockyard. A man may take his stock to the stockyard and if the price offered the operator of the commission business there is not high enough to suit him, he has the privilege of taking that stock right across to the packing house and seeing what he can do with it



there. At the same time, at each of these small yards there are representatives of the various packers who can bid for the stock.

*By Mr. Young:*

Q. They are the buyers?—A. They are the buyers.

Q. There is only one seller?—A. There is only one seller.

Q. And if there are a half a dozen buyers bidding for his stock, is he not in a better position to sell his stock than if there were two or three sellers there and the same number of buyers?—A. That has never occurred to me.

Q. We have had arguments here this morning that where the numbers of buyers were reduced, it had an adverse effect on the market. The point that I am trying to get at is where the number of sellers is reduced, should it not have an effect on the market? If it works one way, why does it not work the other?—A. We find this at the larger stockyards where there are a number of sellers, one competing against the other in order to hold his shipper customers, that his incentive is that on every head of livestock that is sold, to get the last cent he can from the highest bidder; and judging from that statement, it might be possible that if there were more than one operator at a stockyard, that there would be better prices.

Q. Would it work the other way, where you increased the number of buyers competing for the stock, each buyer trying to place his principals behind him, while trying to get more stock than his competitor and raise the market; it is a poor rule that does not work both ways?—A. We have not had an opportunity of trying that out at these small yards, because at each of them there has never been more than one selling agency; and with two of them the selling agency also owns the yard.

Q. But the evidence here this morning was to the effect that where the packers got a portion of their supply from other sources than in the yard, then they could withdraw their buyers from the market for a few hours or a day and in that way force down the price; that was the evidence this morning. Now we have another set of yards where there is a shortage of sellers; you say a shortage of sellers might increase the price. Well then, would not a shortage of buyers in the other kind of market have an effect of trying to persuade these buyers?—A. I thought I said that where there was competition in selling, where there was more than one salesman, that there would be competition between those salesmen to get the very best price for the stock rather than where there was only one.

Q. More sellers will raise the price?—A. In that particular case.

Q. They would be running each other to make the sales?—A. They would be competing with each other to make the sales; but where there is only one salesman handling all the stock he might not be so disposed to use as great salesmanship as where he had a competitor. I don't know where the line could be drawn; I cannot say.

Q. Suppose there were only one buyer in the market and he had no competition, what would he do?

The CHAIRMAN: Compete with himself.

The WITNESS: He would have to compete against outside orders, because most of the men who are acting as salesmen at those small yards have orders from outside firms, Montreal firms or Toronto firms or Winnipeg firms as the case may be, and he would know what that order is worth to him, and if the price competing locally did not at least equal that price that was competing from the outside, he would ship that stock that is in his control to that outside order.

*By Mr. Young:*

Q. He would just handle those outside orders he had?—A. Yes, he can handle those.

Q. He is a lone buyer in the market, and he is buying cattle for different firms, one in Toronto, one in Montreal, and some local firms, is that the idea?—A. I think we are getting mixed up. He is the seller on the market; we are talking about a commission merchant that is acting as salesman.

Q. We are at cross purposes.

The CHAIRMAN: Mr. Young, Mr. McCallum says where there is a small exchange with one commission firm, that commission firm may get orders from outside, ask for quotations, and on those quotations he would compete against offers by the buyer or buyers that appeared on his small market.

Mr. YOUNG: You say they are asking for quotations to be given him?

The CHAIRMAN: Ask him for quotations on the stock.

Mr. SOMMERVILLE: Orders.

The CHAIRMAN: Offering him orders, if you like to put it that way.

The WITNESS: Placing orders with him, direct quotations.

*By the Chairman:*

Q. Would not this be the point, though—I will ask Mr. McCallum this question: In the case of a commission man, where there is say one or two, he is selling his services to the producer of the stock; that is really what he does; that is his competition for service?—A. That is what he is drawing commission for.

Q. He is selling his services?—A. Yes.

Q. So that if there were two commission men on the market, or three or four or a dozen, there would be keener competition among them to get customers, that is producers to send their stock to them?—A. Up to a certain number, yes; I don't know where that limit would be reached.

Q. You only know they have to offer better service than their neighbours if they are going to attract the business to them?—A. Yes.

*By Mr. Sommerville:*

Q. That service would consist in getting better prices if they could for their producers?—A. That is how it would be measured in terms of dollars and cents, for the producers.

Q. You spoke of the operators having outside orders, and these outside orders they will have, we will say, in their pockets when the buyer comes along?—A. Yes.

Q. That is what you had in mind when you spoke of them?—A. Yes.

Q. And they will use those outside orders to force the buyer up in price?—

A. They will gauge a local buyer's bid by the order that they have in their pockets, if they have orders.

*By Mr. Sommerville:*

Q. Yes, that is true; and is that one of the reasons why the packer goes to buy at the country point where the agent will not meet him with outside orders in competition; away from the yard, I mean? Is that one of the reasons, Mr. McCallum, why the packer goes to the farmer, wherever the farmer is, to avoid meeting the competition of this outside order that the commission agent has in his pocket on the yard?—A. That is a very difficult question to answer. I do not know why the packer goes out to the country to buy stuff. We know that that practice is followed. We know in addition that the representatives of different packing houses buy live stock in the same territory or in an adjoining territory where there is a certain amount of competition between them to get the stock in that locality. I know this much, the drovers working here and there throughout the country have the keenest



competition amongst themselves, whether they are shipping their purchases to the stockyard to be sold on commission, or buying it to go direct to the packing house; that competition at country points is very keen at many places.

Q. Probably you could tell us, do you know as a fact that when certain shipments of hogs come from certain stations they go directly to certain packers?

Mr. YOUNG: Did you say, from certain stations?

Mr. SOMMERVILLE: Yes, from certain railroad stations; when they come into the yard, they are automatically put on one side for certain packers.

Mr. ILSLEY: At what point is this?

Mr. SOMMERVILLE: In a number of yards.

Mr. YOUNG: Regardless of billing.

*By Mr. Sommerville:*

Q. Regardless of building—they are put on one side for certain packers; do you know of that practice?—A. That was supposed to be the practice years ago, but my information is that it does not apply to anything like the extent at the present time that it used to.

Q. Was that a result of arrangements with certain packers that they would not compete with certain other packers at these stations,—one packer getting hogs from one centre, and another packer from another—or do you know?—A. I do not know, I could not answer that question.

Q. I thought perhaps when you knew of the vigorous competition among drovers at local stations that you might know something of this practice?—A. I have been a farmer, and have had the drovers compete for my hogs for a number of years—speaking as a farmer at the moment.

Mr. YOUNG: Does that mean cars consigned to the stockyard would be diverted to the packing house without going through the yard?

Mr. SOMMERVILLE: No, I think you will find Mr. Young that certain carloads of hogs come from certain stations, and then it is recognized that these hogs will belong to one packer. It is recognized that the hogs from a certain point belong to one packer and hogs from another station belong to another packer, and it is suggested that that may be the result of an arrangement that there is to be no competition at these stations.

Mr. YOUNG: It would seem that there must be collusion between the commission men in the yards and the packers.

Mr. SOMMERVILLE: Not necessarily.

Mr. SENN: It would be arranged between the drover and the packers.

Mr. SOMMERVILLE: Or it may be an arrangement between the packers themselves that they will not compete at various stations.

The CHAIRMAN: I think we had better get that information later because Mr. McCallum says he does not know.

The WITNESS: I do not know, I could not answer that question.

*By Mr. Senn:*

Q. I would like to ask a question, if I am not repeating something that was taken up this morning. A former witness here made the statement that certain alleys in certain stockyards were allotted to the buyers of different packers, by the commission men. Do you know anything of that practice, Mr. McCallum?—A. That certain commission merchants—do I understand you right—that certain commission men keep their alleys specifically for certain packing houses.

Q. Yes?—A. I do not know that that is correct.



*By the Chairman:*

Q. Have you ever heard of it?—A. I have heard the allegation, sir.

Q. Did you ever look into it?—A. As far as I was able to, yes; and when I find a certain commission firm passing stuff over the scales to a number of different buyers, I could not come to the conclusion that he was restricting his sales to one firm.

The CHAIRMAN: That is not quite the point.

*By Mr. Senn:*

Q. Did you not hear as well that on certain days in certain stockyards, the buyers of one firm will go down one alley and he is the only buyer that goes down that alley that day; and that another buyer from another firm will go down another alley. That means no competition?—A. I do know this that at certain stockyards a certain packers' buyer will have first chance at a certain alley this week, another buyer will have first chance at that alley the following week and if there are two or three resident buyers there, it will be arranged for them to go to the various alleys; but that the selling is restricted in any alley to any one particular buyer, I do not think that that is correct.

Mr. ILSLEY: What do you mean by a certain packer's buyer going there first?

Mr. SENN: I think it goes further than that, Mr. McCallum. If that man does buy, there is no competition in that alley that day.

*By Mr. Ilsley:*

Q. What advantage would it be to him otherwise to go in first, unless, as Mr. Senn says—what advantage is it?—A. All buyers have not the same requirements on the same day. A particular buyer may have a demand for a certain type, he may want heavier steers on that day for that day's business; he may want medium butcher steers, or he may want baby beef or fat cows; and by having first chance at an alley he can pick out the choice stuff that suits his particular trade on that particular day.

The CHAIRMAN: Yes, and that destroys your competition.

Mr. SENN: Why should he have that, without competition?

Some Hon. MEMBERS: Hear! Hear!

*By the Chairman:*

Q. Does it not destroy competition?—A. He makes the first bid on it.

Mr. YOUNG: And if that bid is not accepted?

*By Mr. Senn:*

Q. I understand that no more bids are made; that is the story that is in circulation, whether it is correct or not?—A. I do not think, as a general practice, sir, that it could be said to be correct. I could not say that that is correct, as general practice, it may have happened on occasions; perhaps it did.

Q. Who makes this arrangement; does the packer make it, or is it the commission man who gives this man first chance at this particular alley?—A. On the particular yard to which I have reference, I believe it is solely an arrangement that has been made between particular buyers and commission firms.

*By the Chairman:*

Q. What yard is that?—A. I mean the Edmonton Stockyard.

Mr. ILSLEY: Does that have the effect of keeping the price down?

*By Mr. Senn:*

Q. Have you ever heard of the practice at Toronto?—A. I have heard that such an arrangement—

Q. But you are not in a position to say whether it does now, or not?—A. No.

Q. Did you ever investigate it?—A. As I said before I have gone to this extent, that I have seen tickets from such alleys, animals going across the scales, and the scale tickets which show various buyers on the same day—cattle shipped on consignment—which led me to believe that the salesman was selling to the highest bidder for the particular class of stock which he had to offer for sale.

Q. Would you say, in your opinion, that it is in the interests of the shipper or the producer to have that kind of operation being carried on?—A. There is another system in vogue at one particular yard, where the first buyer who appears on the scene gets the first chance to bid, as is natural; when two buyers arrive at the same time they flip a coin and whoever is fortunate enough to win gets first bid, and he goes in and buys what he can, or makes such bid as he cares to make, and then the next one has a chance at that same alley.

Mr. YOUNG: Could they not both go in at the same time, would that not be practical?

*By Mr. Ilsley:*

Q. That is the point, the advantage in having the privilege in making the first bid; he can select what he wants to bid on; is that the reason?—A. That is one of the reasons.

Q. Is it not an advantage to have the right to make a first bid?—A. It is probably an advantage when he gets a chance to pick from that particular alley the particular kind of stock for his particular killing purposes for the day.

*By the Chairman:*

Q. Does it imply that by this arrangement between the buyers and commission men, that a certain buyer can go down the alley and have his opportunity to bid—does that imply that other buyers, by mutual consent, will not compete with him in his bidding for the stock in that alley until he is through with his inspection.—A. When it is remembered that there are more buyers than the big packers' buyers on the yard—

Q. Never mind that, does it imply what I am saying?—A. I do not think so.

Q. Then, why do they do it?—A. I do not know.

Q. Well, they are not doing it for fun, Mr. McCallum; these are hard-headed business men?—A. I do not think that that practice obtains to a large extent.

*By Mr. Sommerville:*

Q. Mr. McCallum, do you know this; that after the buyer has gone up the alley in this preferred position, do you know whether or not on returning from the alley he tells the other buyers what he has bid on that alley?—A. I could not say.

Q. Do you know of that practice?—A. I do not know whether he tells his competing buyer or not.

Q. Have you ever heard that; that these men go up their respective alleys and then meet and compare bids?—A. I have heard the statement, yes.

*By Mr. Edwards:*

Q. Would it be a fair inference, Mr. McCallum, this: that under this arrangement for one of them to get his chance—whether there is any benefit or not—these buyers must consider that there is a benefit in having it in that position?—A. Conceivably, yes.

Q. Well now, conceivably, yes; why would they make arrangements and carry it out unless they consider that there was an advantage to them in it—what other reason could you suggest for their doing it? Can you suggest any other reason for their doing it?—A. No, other than this; that, as I tried to explain before, certain buyers have certain definite requirements for a particular day, the buyer going in to one commission firm's alley to select what he might wish there, leaves the other alleys open for his competitor to go through to buy what he wishes there; and at the same time there are the smaller butchers and speculators who have orders to sell, who have the privilege when there are no other buyers there of going in and buying any of the other stuff for which they have orders.

Q. Well, they must consider it to their advantage to have that arrangement?—A. I would suppose so.

Q. And they must consider that such an arrangement was to their advantage?—A. I would say, yes.

*By Mr. Sommerville:*

Q. And these other buyers are admitted into the alley after the packers' buyers are there; is that the understanding?—A. Not necessarily.

Mr. FACTOR: It would be well to have evidence produced of the practice first.

Mr. SOMMERVILLE: I thought perhaps Mr. McCallum might have heard?

Mr. FACTOR: If he knows, certainly.

*By Mr. Sommerville:*

Q. Can you assist the committee in any respect, Mr. McCallum, in telling us how the various packer-buyers arrive at the prices which they pay from day to day?—A. Not being directly connected with packer operations I can only give an opinion, and my opinion is this; that the price they pay on any particular day is based on the amount of meats that they have in store, and the amount of live supplies they have on the way to their plant, or right in their plant ready for killing; and the trade prospects, whether they are getting better or declining.

Q. I see, yes. You cannot furnish further information which you could give to this committee which would in any way assist them in coming to a conclusion as to why prices are always so close to one another?—A. I am afraid I cannot give you that information, sir.

Q. All right. Now, you are proceeding with a statement as to the live stock exchange?—A. I have already outlined the set-up of the various live stock exchanges. Each live stock exchange submits for ministerial approval a set of rules and regulations outlining the set-up of the exchange, the methods by which they shall deal with violations of their regulations—as a matter of fact the live stock exchange is self-governing with respect to the activities of its members.

Q. These are submitted for the approval of the minister?—A. They are submitted for the approval of the minister.

Q. And do these contain also the fees to be allowed, and the charges to be made for their services?—A. Yes.



Q. And they are submitted to the minister?—A. Yes.

Q. And then do the live stock exchanges also submit financial statements of their operation; or have you access to their books to enquire into their position?—A. We have supervision over the shipper's cost account. We are anxious to see that only such funds go into that account, or are paid out of that account, as legitimately belong to it. We have received in confidence from time to time from the various commission firms financial statements of their year's operations.

*By the Chairman:*

Q. Is that one of the by-laws?—A. That is one for Toronto.

Mr. SOMMERVILLE: That will be exhibit No. 64.

*By Mr. Factor:*

Q. Can anybody buy an interest in a live stock exchange?—A. Any person 21 years of age with sufficient character and credit, who has or proposes to have an interest in dealing in live stock may apply to a live stock exchange for membership.

*By Mr. Edwards:*

Q. These rules and regulations that require departmental approval; is that departmental approval a condition precedent to the exchange operating?—A. Yes, sir.

*By Mr. Young:*

Q. And when you belong to one of these associations, that gives you a licence to go in there and operate; could you send in half a dozen men to represent you on the strength of that licence?—A. The organization of the commission firm will largely determine that. Some commission firms are composed of an individual who may employ such assistants or salesmen as he may desire. It may consist of a partnership, or a limited company, or otherwise—a co-operative association—and when they register with the minister they give the names of the principals of the firm, the name under which the firm operates, and the principal employees, particularly the salesmen.

*By Mr. Edwards:*

Q. Will you let me pursue the point just a little further. If a member of the exchange is guilty of an infraction of their rules and regulations that have been approved by your department, can disciplinary action be taken by your department; or must it be by the exchange itself, or both?—A. Either.

Q. Either of the two?—A. Yes.

*By the Chairman:*

Q. The minister may initiate?—A. Yes, sir, on complaint.

*By Mr. Edwards:*

Q. And suspend them from the right to operate on that exchange?—A. Yes.

*By Mr. Young:*

Q. Going back to that other point, Mr. McCallum; one firm could have two or three buyers in there?—A. Excuse me, they are sellers—not buyers; commission firms are sellers, not buyers.

*By Mr. Factor:*

Q. They don't require to license every buyer?—A. There is no licence for a buyer. The commission man is only a buyer when a man comes into his yard and says, will you buy me a load of cattle—hogs, or sheep as the case may be—of a certain quality; then that commission firm is a buyer, and he goes to the other firms' alleys and buys the load of stock, or the number of stock which will suit his customer. He can be a buyer under those circumstances, and only under those circumstances.

Q. Anybody could do that, he could do that without a licence?—A. The farmer himself can do that without a licence. He does not even have to register, because buying and selling rights are saved to every farmer who patronizes the stockyard, "Notwithstanding anything in this act, any person other than a co-operative society, dealer, drover or buyer may sell his own live stock, or buy live stock upon the stockyard on his own account.

*By Mr. Senn:*

Q. Does that happen in practice, Mr. McCallum?—A. It is a very unusual practice.

*By Mr. Sommerville:*

Q. They rely upon the experience and judgment of the commission men to make sales in the vast majority of cases, practically all cases?—A. In the vast majority of cases.

Q. Now, what are the charges that are allowed under the approved regulations to the live stock commission men?—A. Without going into too much detail the charges for selling at present at those yards which have not reduced their commission are for a carload of cattle \$17, a mixed carload of live stock containing cattle, \$17, calves at some yards, \$12 per car, other yards pay \$14 per car; hogs at most of the yards, \$10 per deck, at other yards \$10 per deck plus 10 cents per head for all over 80 head in the car or a maximum of \$12; sheep \$10 per deck, and, in some cases, running to \$12 per deck. Then, for truck or driven-in stock there is a schedule per head.

Q. A schedule per head that there is some reasonable relation to the car rate?—A. Yes sir.

Q. For instance, at Toronto the rate for trucked-in cattle is eighty?—A. One dollar per head.

*By Mr. Senn:*

Q. Whether they are 5 cent cattle or 2 cent cattle?—A. Yes. The charges are not based on the value of the stock handled.

*By Mr. Kennedy (Winnipeg):*

Q. Is not there an existing rate of \$15 per car?—A. We have requested a maximum rate of \$15 per car for cattle and \$15 per car for mixed cattle containing cattle, all across Canada at all live stock exchanges.

Q. It is not yet in force?—A. It is at some of the exchanges. Montreal has it.

Q. Winnipeg?—A. Calgary has it in force, Moose Jaw has it in force. Neither Edmonton, Winnipeg nor Toronto have it yet in force.

Q. In those other places you have mentioned the rate is \$15 per car?—A. Yes.

Mr. FACTOR: How long have these rates prevailed?

Mr. SOMMERVILLE: The \$17 rate, for instance, has prevailed since when?

The WITNESS: 1919.

*By Mr. Factor:*

Q. You mean the same rate has been paid since 1919, irrespective of the price received by the farmer or producer of cattle?—A. Yes. It has never been regulated in accordance with the selling price of the animals.

Q. Why is that? Why did not the department try to regulate that, having a view to the price paid for the cattle?—A. In the first place the nature of live stock shipments has changed in the past ten years. The majority of cattle shipments at that time were straight cars of cattle. Now, with the great increase in truck transportation, there is a great increase in the number of mixed cars containing cattle, sheep, and hogs, and more individual attention has got to be paid to the handling of that stock, selling it according to quality—as well as according to quantity and classification. That is, that the service required to-day is greater than was required some years ago. In the second place—

Q. Were they paying too much in 1919? Does that follow?

Mr. ILSLEY: Not on an ad valorem basis. I see the point Mr. Factor makes. When prices were high they could afford to pay more. That is Mr. Factor's point. When prices have gone down and they do the same work, it is fair to charge them more.

WITNESS: In 1919, when these prices were fixed at the level that I first quoted, prices of all live stock were high. They have reduced very materially this past two or three years.

Mr. FACTOR: They can afford to pay more for less service. Is that the argument?

Mr. SENN: I suppose the service is the same in any case, is it not? When prices were high they performed the same service as they do when prices are low?

WITNESS: More salesmanship is required when prices are low, because live stock, like other commodities, does not move as freely when prices are low and the demand is not too keen.

*By Mr. Ilsley:*

Q. You say greater service is rendered by reason of changing conditions of shipments. You said that, did you not?—A. Yes.

Q. There is more accounting?—A. More mixed shipments, more mixed cars, and more cars containing a number of owners. It used to be that one man would own all the stock in a car.

*By Mr. Kennedy (Winnipeg):*

Q. Is that what you call pool cars?—A. Pool or multiple cars.

*By Mr. Ilsley:*

Q. If they were on an ad valorem basis, would it not be more advantageous than on a per car basis?—A. Well, if you remunerate a man for services rendered, he is rendering just as good service in selling cattle for that low price as for high prices. His service is not gauged by the amount of money he gets for the stock.

Q. The producer is in the same situation, is he not? The price goes down. Should not everybody's remuneration connected with it go down too?—A. That is what we are trying to secure now.

*By Mr. Factor:*

Q. The producer works just as hard and gets less for his product, and the commission man seems to be getting the same price as he did in 1919. That is what I cannot understand?—A. We are at present seeking to have these rates reduced.



*By Mr. Kennedy (Winnipeg):*

Q. Mr. McCallum, it has been represented to me by live stock commission agents that this practice has developed considerably what I will call pool cars, that is a car containing stock belonging to multiple owners. It has been represented to me that that has developed to a great extent, and by reason of that the amount of their work in selling that carload, keeping track of the stock belonging to the different owners, and all that work has multiplied their work on a car considerably, and they write that \$15 is not adequate in view of the great increase in the amount of their work. Would you care to express a view as to that? For instance, they produce to me, say, an inventory of the stock in a given car, and the list of owners, showing a multitude of owners. The clerical work was increased as each lot had to be treated as a different lot, and they claimed that, as a matter of fact, the present price of \$17 is not enough? Have you any views in that regard?—A. It is a fact that there is more work, more service expended on a multiple ownership than on a car with one ownership. That is a fact. There is also this to be considered, that in July, 1914, the commission for selling a car of cattle was \$12. The spread from \$12 to \$17 is very considerable.

Q. Did the principle of multiple ownership prevail then to the same extent as it does now?—A. No.

*By Mr. Sommerville:*

Q. Was it not a fact that up to that time the drovers existed in large numbers and gathered up their carloads of cattle at a local station and shipped them into the market?—A. Or bought them himself and shipped them as his own.

Q. And that was the most economical way of transporting them to the market—by carload lots, was it not?—A. That is a fact.

Q. While today with the broken lots coming in by truck, that is probably the most expensive way of delivering them at the market, is it not?—A. As a matter of fact the truck rates for the same distance are almost double the rail rates, and frequently I am told that truck rates—the excessive truck rates will exceed all the market charges on certain shipments. Do you know of that condition?—A. I could easily figure that out, because I know all the charges which accrue in the marketing of a load of stock.

Q. Perhaps you can tell us, Mr. McCallum, what is the respective relation between a truck rate and a rail rate, say 100 miles from Toronto?—A. One hundred miles from Toronto the rail rate is 17½ cents per hundredweight, from towns and villages in western Ontario 100 miles away. Trucking from the same shipping point, I understand the rate is from 35 to 40 cents per hundredweight.

*By Mr. Young:*

Q. The truck rate?—A. Yes.

Q. Does the trucker go to the farm and pick up the stuff?—A. In practically all cases he goes right to the farm and picks up the stock.

Q. And when it is sent by rail the farmer has to take it down and load it on a car?—A. To the nearest station, yes.

*By Mr. Somerville:*

Q. Perhaps you could tell me whether or not this is the kind of thing that happens. I have here the record of a transaction on the 21st of October, 1933, of a shipment by a farmer of Peers, Alberta, indicating how a farmer of Peers, Alberta, received only \$4.15 each for three steers that averaged 1,050 pounds each. This is the sales statement as recorded: 3 steers, weighing 3,150 pounds at \$1 per hundred pounds, \$31.60. Deductions—condemnation insurance 16 cents; unloading, weighing, etc., \$1.79; brands inspection, 30 cents; commission,

\$2.40; trucking transportation to market, \$14.40; net payment to the farmer, \$12.55; total cost of marketing \$19.05, of which \$14.40 was the trucking charge, and the net result was that the farmer received \$4.15 for each of these steers that weighed 1,050 pounds. Is that a condition that is more or less common as the result of the dead markets of the last year or the low prices?—A. The price of 1 cent per pound is certainly a reflection of the tremendously low prices that have been received for cattle for the past year, and I can well imagine if these were big rough steers without much flesh on them that they might sell for no more than 1 cent a pound. Coming through Winnipeg last summer just after the drought had got so acute and the grasshoppers in western Canada had been very destructive I saw loads of splendid young cattle which would have made good potential feeders to keep on and feed and bring back to the market in a year's time as good butcher cattle, go to the market in thousands and they were going across the scale at from 1 cent to 1 cent and a quarter a pound. At the same time, owing to a shorter than usual crop in Ontario the Ontario demand for feeders had not developed. Farmers in Ontario had not made any commitments, and the prices ruling last summer and fall were the lowest on record for cattle. I can well imagine that depending on the quality of those big steers, they may have been big rough steers without flesh—selling for a cent a pound.

Mr. FACTOR: How is that trucking charge made up to \$14?

Mr. KENNEDY (*Peace River*): What was the date?

Mr. SOMMERVILLE: October 21, 1933.

Mr. KENNEDY (*Peace River*): That is about 100 miles west of Edmonton.

Mr. SOMMERVILLE: There is a trucking charge of \$14.40. It has to be absorbed here. The commission on that three head of cattle was 80 cents per head. That is \$2.40. And the market charges for handling, weighing and yardage was \$1.79. That is 60 cents a piece. In other words, the yardage charges were \$1.40 a piece and the truckage charge was \$14.40 for the three.

Mr. KENNEDY (*Peace River*): How much did the farmer get?

Mr. SOMMERVILLE: \$4.15 for each steer. He got less than the trucking charge for an afternoon's run.

Mr. HEAPS: What was the net figure the farmer got?

Mr. SOMMERVILLE: \$12.55 for three steers—for 3,055 pounds of beef.

Your statement from Winnipeg, Mr. Kennedy, is perhaps consistent from this one written from Deer Horn, Manitoba, written by a farmer there who has been in business for a long time: "I had a bunch of well fattened 3-year-old steers weighing 1,200 pounds. They were a fine bunch, and I was offered \$1.65 a hundred, and after paying all the costs you can see what was left. That figures at about \$20 a head. I had paid \$35 a piece for them to fatten. The expenses were \$5 a head. This was early in November." Now, he said, "I have been steadily at stock raising for the last 37 years and I am so disgusted that I have no name for it, and I have handled cattle for a long time and such ridiculous prices were not paid before." Is that consistent with what you find?

The WITNESS: Yes.

Mr. SOMMERVILLE: The conditions, apparently, have been extremely bad in that western situation.

The WITNESS: Yes.

Mr. FACTOR: That is because of the low prices received for the cattle.

Mr. SOMMERVILLE: Yes, \$1.65. Those are fattened steers.

Mr. FACTOR: And also the marketing charges are entirely disproportionate to the amount received.



Mr. SOMMERVILLE: The marketing charges have not changed according to Mr. McCallums statement with the change in prices on cattle.

*By Mr. Sommerville:*

Q. Do you find, Mr. McCallum, that the trucking charges from all over Ontario are very much larger than the rail charges?—A. I would say about double the rail charges.

*By Mr. Young:*

Q. In the figures you gave us a little while ago you quoted the rail charge at 17½ cents and the trucking charge at 35. That makes a difference of about \$1.75 on a 1,000-pound steer. Now, if a farmer has got three of those steers to market and he has to load them himself and haul them to the railroad, it is pretty nearly worth that?—A. Apparently that is the way the farmers look at it. They are putting against that extra trucking charge the trouble and expense of delivering to the the station.

*By Mr. Senn:*

Q. There is another factor that enters into that too, that in the case of the ordinary freight charges the amount is quoted in carload lots?—A. Carload lots.

Q. It would be impossible for a farmer who had three or four head of cattle to take advantage of that rate.

*By Mr. Sommerville:*

Q. Again, is it not a fact that by reason of the operation of the trucker he has broken up the field where the drover used to go in and gather up the cattle in carload lots?—A. That is quite true.

Q. Is this a correct statement that in large parts of Ontario at least the system has changed from the drover system who shipped his carload lots to the trucking system who trucks them in three cattle at a time and a few hogs at a time?—A. It has undergone that change.

Q. And the result is an increased cost in transportation for the sale of the live stock?—A. Yes.

Mr. HEAPS: Mr. Sommerville, could the witness give us his own personal opinion as to the reasons for the very low price that the farmers are receiving for their cattle?

The WITNESS: It was a fortunate thing—in answer to your question—that we had an outlet to Great Britain last year for 53,000 head of export cattle. While these cattle may not have returned their owners very much more than they would have returned at their home market, it had the effect of helping a very, very critical situation in Canada. Did those 53,000 odd head of good cattle—and they were good cattle—have to enter into our channels of consumption here, I am afraid that instead of getting them from 1 cent to 1¼ cents per pound for some of their best cattle, it would have been 50 cents per 100 lower than that. The condition which obtained last year was an unprecedented one, and as I have just explained, drought in the West, and grasshopper plague, caused an undue liquidation of cattle for which there was no demand; and they had to be bought by somebody at a price that could be no more than very, very disastrously less than the cost to the men who raised them.

*By Mr. Factor:*

Q. Suppose we had succeeded in making an arrangement, say with Russia, for selling 100,000 cattle; that would have improved the market. It is not a laughing matter; it is serious?—A. Well, the point of being able to remove 100,000 cattle from this country at any time is, of course, worthy of consideration.



*By Mr. Sommerville:*

Q. To any point?—A. To any point.

Mr. ILSLEY: The wider the markets, the better.

*By Mr. Senn:*

Q. Could you explain to us what you mean by condemnation charges; is that system of insurance recognized by your department?—A. It is recognized by the department. The institution of that charge goes back to about the year 1912 or 1913. A man offering an animal for food purposes is supposed to offer something that is fit for human food. It was found that animals which were slaughtered were condemned through being diseased, and an attempt was made to work that loss back from the buyer, back from the drover, back to the man who owned the animal. You can easily understand that the farmer who sold his animal, and got a price for it, would object very strenuously to giving back any of what he had received. Consequently the packers' and the producers' representatives, with the department sitting in as a witnessing third party, came to this agreement: that insurance would be collected on all cattle and hogs marketed either direct to packing houses or through public stockyards. In the West this amounts to one-half of one per cent of the sale price of cattle and hogs. It does not apply to calves or sheep. At Toronto it is collected on this basis, 50 cents per head on cows, 20 per cent on steers, heifers and bulls, and one-half of one per cent on hogs; at Montreal, 50 cents per head on all cattle, and one-half of one per cent on hogs. The reason that there is a higher charge in Montreal is this, that the bulk of the cattle marketed at Montreal come from the dairy sections of eastern Ontario and the province of Quebec, where condemnation had been more common than in western Ontario or western Canada. No fund is created.

Q. The reason I asked is because it is reported that there is a very large sum in reserve in that fund, and there are complaints made that the rates charged are too high; is that true?—A. As a matter of fact, Mr. Senn, there is no fund created through the operation of this condemnation insurance; there is no fund created. A commission merchant sells a bullock on the Toronto market, a 1,000-pound bullock, at 5 cents a pound, for \$50. The buyer pays \$49.80 for that bullock. The commission merchant settles with the owner on the basis of \$49.80. It is a recognized practice at stockyards in buying live stock for slaughter, that the price of cattle is the market price; less, 20 cents per head on steers and 50 cents a head for cows; and  $\frac{1}{2}$  of 1 per cent on hogs, at Toronto, while at Montreal it is the market price less 50 cents per head on cattle and  $\frac{1}{2}$  of 1 per cent on hogs.

*By Mr. Sommerville:*

Q. The buyer assumes the risk because he is getting this 20 cents per head?—A. He assumes the risk.

Q. And there is no fund created in the sense of an amount being put into some central fund to meet these losses?—A. That is true.

Q. That is the way in which the system works?

*By Mr. Young:*

Q. Is that a fair reflection of the amount condemned, the figure you gave us there, one-half of one per cent, one animal in 200?—A. I am sorry that I have not the last annual report of the Veterinary Director General, which shows the number of carcasses of beef animals inspected at inspected slaughter-houses for last year, and the number of carcasses that were condemned. I believe the number of carcasses condemned is about one-half of one per cent of the

total number slaughtered. In addition, there are many parts of the carcasses that are condemned, not the whole carcass, but certain parts thereof.

Q. And this covers it all?—A. Yes.

*By Mr. Kennedy (Winnipeg):*

Q. Just pursuing that point further, Mr. McCallum; you say there is no reserve, that there is no fund created. I suppose it is not created because the buyers who keep that off the farmers are just in that much; and by reason of them keeping that off, then they assume the risk of condemnation?—A. They assume the risk of condemnation, yes sir.

Q. Can you follow that out a little further; has your department ascertained whether or not that amount that they keep off is excessive in so far as the risk is concerned? In other words, are the amounts that they keep off the farmers greater than their losses through condemnation?—A. Ten years ago a statement was prepared showing what the condemnation insurance would amount to had it been kept in a fund; and on the other side of the account the poundage of beef and pork products which were condemned through disease; and at a very conservative estimate of the value of those carcasses and parts thereof that were condemned, the statement showed that the amount allowed through the condemnation insurance did not nearly meet the value of the carcasses and parts condemned.

Q. Has the department had any complaints from the buyers that these amounts retained are not sufficient to cover their losses?—A. No, we have not.

Q. Would you not expect to have such complaints if those losses were very excessive?—A. Our information is to the effect—it has not been verified by figures recently—that on hogs the amount of condemnation slightly overruns the value of the condemnation in hog products, but falls very, very far behind in that of beef products.

*By Mr. Sommerville:*

Q. These condemnation charges not having changed since 1912, are we to understand that there has been no improvement in the health of animals offered for sale in the last twenty years?—A. No, I would not say that at all, sir. A good many sections of the Dominion of Canada have been cleaned up from T.B. infestations; and there are now quite a number of T.B.-free areas, known as restricted areas; and while the cattle from those areas do not yet have any advantage by the remission of these charges, I believe that the packers were making a study from some of those areas last year, just to find out how much disease would be found in the carcasses of animals coming from these restricted areas, with a view of getting some basis upon which those areas might be dealt with.

Q. That is, animals from that area?—A. Restricted areas.

Q. That being so, Mr. McCallum, does not the continuance of this condemnation fund at these figures indicate that, by and large over the whole country, there is as much condemnation to-day as there was in 1912, in the gross?—A. There is a way by which a shipper or seller of live stock does not need to pay condemnation charges, and this will apply to any stockyard; he will instruct his seller that he does not wish his stock to be sold subject to the condemnation insurance, in which case he takes all the risk, that if any animal should go down on health inspection on the rail, he suffers the total loss. If he is sure that his animals are sound and healthy, he has the privilege of selling them not subject to the condemnation insurance, in which case he takes the risk.

Q. In actual practice is that taken advantage of?—A. No, I know of practically no cases where it has been done.



*By Mr. Kennedy (Winnipeg):*

Q. Inspection is made by one of your department officials?—A. Yes, the health of animals branch have officials in every inspected packing house and abattoir, making rigid inspection.

*By Mr. Factor:*

Q. May I be permitted to ask a question; I have here a letter from a live stock commission merchant of Toronto saying that "The Department of Agriculture has notified the Toronto Live Stock Exchange that they must reduce their commission \$2 a car on all cars containing cattle, 25 cents a head on truck cattle, and 5 cents a head on truck lambs. Under the prevailing conditions and the amount of work entailed in handling live stock through the yards, this is a very unreasonable demand as the facts and figures that will follow will show . . . The net profit for the nine firms, not taking into consideration anything for doubtful debts which might be setting on individual books, but showing nothing for interest on capital investment representing a net revenue of \$18,025.70. The number of head of live stock for the year was 817,985. Net profit per head of two and one-fifth cents for the same year."

The CHAIRMAN: Is that hogs and cattle?

MR. FACTOR: Yes.

*By Mr. Factor:*

Q. "If the ordered schedule of selling was in effect the net loss of the nine commission firms would be \$20,186.40, or a net loss per head of two and two-fifths cents." What opinion can you express on that complaint?—A. Just this, that several exchanges have acceded to the request of the department to reduce their commission to the level of the maximum set in that letter. It is a fact that at Toronto the three largest commission firms handle over 60 per cent of all the live stock marketed at those yards; and that the remaining six firms handle 40 per cent only; and that last year the three smallest firms combined did not handle as much stock as the fourth smallest firm. I think it is hardly fair to make a consolidated statement lumping the profits that have been made by the larger firms who must, on account of the volume handled, have made a considerable profit, to lump the profits of these smaller firms whose amount handled would not possibly be sufficient to more than pay their operating expenses with very little left over; and in presenting a statement of that kind you are getting at the average, which I do not think is a fair statement on which to base a discussion of this reduction in charges. Furthermore, since our request was made for reduction at Toronto, another firm has entered into the commission business; so that instead of trying to do something for the producer of live stock or the farmer in making it somewhat easier to get his live stock marketed, we have this situation in Toronto, that nine firms have grown into ten and dividing their receipts, which that statement shows is small; and instead of dividing it among nine firms now they are dividing it among ten. In addition to that, in our office at Toronto there is a bond for another firm which has not been sent on to me as yet. They are waiting for a little more information before the bond is sent on to me, before another commission firm starts in the business.

*By Mr. Kennedy (Winnipeg):*

Q. You have intimated that the department has requested a reduction in the carload rate from \$17 to \$15, and that certain exchanges have acceded to the departmental request, and others have not?—A. Yes.

Q. What is the departmental jurisdiction in that regard to enforce their request?—A. Will you permit me to read the act?

Q. Well, they have the right to do it?—A. Yes, they have the right to do it.



*By Mr. Sommerville:*

Q. I understand, Mr. McCallum, that the reason it has not been enforced is that under the act there is power to appeal from the direction of the minister to a committee, and that an appeal has been launched; is that a fact?—A. No, sir, that is not.

Q. Well, the situation at any rate is that the order has not as yet been enforced?—A. The order has not been enforced because the live stock exchange has sixty days after the receipt of the order.

Q. And within the last sixty days the order was made?

*By Mr. Factor:*

Q. Mr. McCallum, may I just ask another question; you say that grouping of the profits of the larger firms, and the losses of the smaller firms consolidated as in this statement is not fair?—A. It would not appear so.

Q. What effect would your reduction have on the smaller firms, if they lose money at the prevailing rate and now you are asking them to reduce it \$2 on all cars? Would they not be in a worse position, the smaller firms in Toronto?—A. The smaller firms might, but I do not think that the department under the present conditions of the live stock industry, is justified in having maintained at a fairly high level commission charges which are keeping quite a large number of firms in operation and allowing them to be increased by one or two at this particular time. More than that, when the representatives of Toronto, Montreal, Winnipeg and Moose Jaw exchanges met our minister in Winnipeg on January 13, they said, and the statement was not contradicted that the firms could handle 50 per cent more live stock than they were handling without an appreciable increase in overhead. So I think we have every justification at the present time in asking for a reduction in the cattle commissions.

*By the Chairman:*

Q. Before you leave that point, for instance in Toronto to which this letter refers, how many tons of hay would be marketed on the average in a year on the exchange, in the yard?—A. Speaking off-hand, I would say about 5,000 tons of hay would be fed in the Toronto stockyards.

Q. Then you get \$10 a ton profit on it?

MR. SOMMERVILLE: That is the stockyard.

THE CHAIRMAN: Yes, that is the stockyard.

MR. SOMMERVILLE: Not the commission merchant.

MR. FACTOR: The stockyard gets that.

*By the Chairman:*

Q. What I was getting at was this, is there any identity between the stockyard as a company and the commission merchants operating on the stockyard?—A. None whatever, except that the commission firms pay rental to the stockyard company for the offices they hold and occupy.

*By Mr. Sommerville:*

Q. Nothing further?—A. Nothing further.

Q. The stockyard is required under your regulations to provide the exchange building for the purpose of the duties of the commission men?—A. Yes.

*By Mr. Factor:*

Q. Do you take issue with the statement in this letter that if the price of the commission agent is reduced, that grouping them together they will sustain a loss of 2- $\frac{2}{3}$  cents per head?—A. My criticism of the statement is this, that

while the revenues of all firms would be decreased, yet the firms that are handling the big volume of the stock would still be making a considerable revenue.

*By Mr. Ilsley:*

Q. And handling all the business?—A. And handling all the business.

*By Mr. Sommerville:*

Q. That is, on the Toronto exchange for instance, one firm represents the farmers' co-operative?—A. Yes.

Q. The United Farmers of Ontario?—A. Yes.

Q. And that firm handled upwards of 40 per cent of the stock on the exchange, didn't they, on the yard, approximately?—A. I could tell you definitely just in a minute. I would say between 35 and 40 per cent.

Q. So that you have a situation of 60 to 65 per cent of the business being divided among the other eight firms, and this one co-operative firm representing a large portion of the business, is that not a fact?—A. That one firm handles the biggest volume of any of the firms.

MR. FACTOR: The other eight firms would have sustained losses, according to the contention of this firm?

MR. SOMMERVILLE: Well, most of them, according to the contention of your letter, Mr. Factor.

*By Mr. Ilsley:*

Q. It may not be economically sound for so many commission firms to be operating in Toronto; I suppose that is correct?—A. Your figure of 40 per cent is just about right, Mr. Sommerville.

Q. Excuse me, I was just trying to get your answer; that is your contention, that it may not be economically sound for so many commission firms to be operating in Toronto?—A. Yes, in view of the present condition under these high rates approved by the department.

MR. FACTOR: They will have to close if they are going to sustain losses.

*By Mr. Sommerville:*

Q. I understand the applications you have for new firms are from among the employees of old firms that have been allowed to go?—A. One new firm that has just opened has as one principal a man who has not been identified with the stockyards for a few years. He has taken into partnership men who were engaged in another capacity.

Q. In another firm?—A. Yes.

Q. In other words, men from another firm have had somebody join them in the forming of a new firm?—A. Yes.

Q. And they have left the old firm and formed this new one?—A. Exactly.

*By Mr. Ilsley:*

Q. When a new firm starts up do they have to have a licence from your department?—A. No, our department does no licensing where there is a live stock exchange. This is our procedure; the members of that firm must become members of the live stock exchange; they must have been registered with the department, must furnish the required bond and open a shipper's trust account; when that is done we advise the secretary of the exchange that all of these things have been observed and have been approved, and that they may issue a licence to the firm. That is looked after under the rules and regulations of the exchange.

Q. Do you make any study, or any investigation to see how many firms are needed to operate at a particular point; would that be possible?—A. It would be possible, but we have not done so.



*By Mr. Sommerville:*

Q. And that will depend upon the volume of traffic on a particular yard, I presume?—A. Very largely.

Q. Now, Mr. McCallum, are there any other observations you wish to make with respect to the men on the exchange? You have given us a statement of their fees, is there any other source of revenue which these men have other than what you have indicated?—A. Their revenues come solely from commissions, either selling commissions or buying commissions—when they get orders from outside it is on a commission basis.

Q. Now then, leaving the question of yards and the men who operate the commission firms, can you give us any facts or figures relative to the movement of live stock to yards during the past ten years, and any change that has taken place in that movement?—A. Yes. The department of agriculture each year puts out an annual market report which shows practically all the details that could be asked for with respect to live stock marketing through stock yards. The volume of receipts through every yard, the classifications, their dispositions, and a general survey of the live stock trade throughout the year at that particular stock yard. You have asked for cattle movements to yards.

Q. Yes?—A. In 1928 on the Toronto Stockyards there were 330,335 cattle marketed; in 1929, 318,021; in 1930, 276,184; in 1932, there were 269,421,—the increase this past year being 274,727. Now, I could quote you figures for every stockyard in Canada with respect to other classes of live stock if you so desire, because they are right here in front of me.

Q. That shows that over 5 years' period a decrease in the volume coming to the stockyards—what proportion would that decrease amount to, approximately?—A. About 11 per cent, between 11 per cent and 13 per cent in cattle.

Q. Now, can you give us appropriate figures as to the increase of direct shipment to the stockyards at Toronto?—A. You don't mean to the stockyards?

Q. I mean to the plants, I beg your pardon?—A. We have only started this past year getting regular data on direct receipts of packing houses. We have, of course, through our hog grading staff a check on the number of hogs received and graded from direct shipments; but we find that our statistics are not nearly complete with respect to the live stock trade in Canada unless we have a definite statement sent to us week by week or month by month by the various packers, so that at the end of the year we should have a complete statement of stockyard receipts and marketings and we should also have the same with respect to direct marketing. Our figures are very incomplete, although we have started this past year through communicating with all the packers to get monthly summaries, or weekly summaries, of the numbers of animals of various classes they receive on direct shipment.

Q. Can you give us any idea what they are now, say for the year 1933, at Toronto?—A. I can file with you what we have in the statistics division of the live stock branch with respect to the stock received.

Q. Do you know whether or not they show steadily increasing proportions?—A. I said this morning that the trend is upward.

*By the Chairman:*

Q. Have you got the 1933 figures with you, or do you know roughly what it was?—A. No, but I can look on the file.

*By Mr. Sommerville:*

Q. Do you think this would be correct, Mr. McCallum—perhaps you can recall this—taking two concerns, Canada Packers direct to the plant 33 per cent of cattle, 54 per cent calves, 74 per cent of hogs, and 40 per cent of sheep; and Swift Canadian, direct to the plant 18 per cent of cattle, 27 per cent of calves,



60 per cent of hogs, and 51 per cent of sheep?—A. I will try to get such figures as we have. I do not think that the direct shipments of cattle would be nearly so large as you have allocated to the Canada Packers.

Q. I see, you will get these for us?—A. Yes.

*By Mr. Kennedy (Peace River):*

Q. Do the packers apply figures quite willingly?—A. We can get such figures as they furnish to us with respect to their direct purchases. As I said we did not have our organization completed for getting these figures previous to this last year, we started about last May.

Q. You have the authority to demand this, have you?—A. Well, we have no authority to demand it, but I do not think we would have any trouble whatever in getting it.

Q. Now then, Mr. McCallum, would it be helpful to your department, and to the marketing of live stock in Canada, and to the farmers, if you had the prices paid by the packers published in the same way as the prices paid on the stock yards and at the same time?—A. In the general interests I would like to see these figures available, just as we make them available from stockyard marketing.

Q. If these figures were made available at the stock yards as cattle and live stock are received, would this not put the commission merchant selling the farmers' products in a better position to know his market, and to demand his price?—A. I think it would give him a bargaining power that he does not now possess.

Q. At the present time is it not a fact that he bargains with the packer, not knowing what the packer has by way of private supply?—A. I would answer by saying that I think he is in the same position as the department is in, that he does not know.

Q. But the packer knows what he has and can bargain accordingly; but the vendor does not know what the packer has and therefore is not on the same footing?—A. That is true.

Q. Is not that the situation?—A. That is true.

Q. And these live stock commission men are pretty keen market men, are they not?—A. I have found them to be quite strenuous in their efforts to get the last cent for the producer.

Q. And the fact that they do not know what is the available supply in the packers' yard must necessarily affect their activities to some extent?—A. Well, it puts them in the position of not being able to anticipate the demand.

Q. After all, it is the demand that helps to make the price?—A. Yes.

*By Mr. Young:*

Q. If they knew how many head of stock the packer had in his yard, or in his packing house, but did not know what demand he had for the finished product, would they be any wiser; if they knew how many head were on the market and did not know the demand for meat, would they be in any better position to engage the market?—A. I would think they would. They only see one half of the picture as it is, and if they knew what the buyer has on hand, they would know whether or not that buyer could be raised up over the previous day's price or not.

Q. And if the buyer had still over a thousand carcasses and they knew nothing about it, they would not be in a position to press him very much?—A. No, it would work the other way.

*By Mr. Sommerville:*

Q. But it does work that way, anyway; if the buyer has a thousand carcasses it does affect the market, and the commission man cannot change it?—A. As I said this morning, I am of the opinion that every day when the packer

goes on to the stockyard or elsewhere to buy stock, he has a picture of what supplies he has in his cooler; of the volume of that supply that is going to move out immediately; what he has moving to his plant; and from the information that he has from these standpoints he knows his requirements to buy elsewhere.

Q. And if the information as to his current supply of live stock was available to the commission man, the commission man could gauge the demand along with the packer and match his wits with the packers' buyer—is not that the fact?—A. He would at least be in a better position as a salesman.

*By Mr. Factor:*

Q. Would it help entirely to eliminate the direct sale from the producer to the packer, and make him buy from the stockyard; what is your opinion on that angle of it?—A. We have had so many resolutions to that effect that it is hard to know what to answer.

*By Mr. Ilsley:*

Q. Both ways, do you mean?—A. No, to insist that all live stock be marketed through stockyards rather than to have a portion of it sent direct to packing houses.

*By Mr. Sommerville:*

Q. You say you have had a number of these resolutions?—A. Yes, take the province of Ontario—

*By Mr. Factor:*

Q. Are they from the farmer, the producer?—A. The farmers have asked through producer organizations—we have in Ontario a number of small packing houses, at Stratford, two at Kitchener, at Guelph, at Hamilton, at London and at Peterborough. I just asked myself if it would not increase the cost of sending live stock to these small packing houses if they had to go to Toronto to buy.

*By Mr. Sommerville:*

Q. But is it not a fact that they do buy quantities of their live stock now through commission firms on the Toronto exchange, and that these commission firms divert to them hogs and cattle that are running to Toronto?—A. That may be, but the bulk of these shipments that are running to Toronto never reach Toronto, they do not have to pay that extra transportation expense.

Q. But do they not now meet that condition by having these cattle and hogs diverted to these various plants at Stratford, and Kitchener, and London, that you referred to?—A. My information is that the number of the shipments of live stock reaching Stratford or Kitchener that have been handled by any commission merchant at Toronto is very small.

Q. You think so?—A. Yes.

Q. Well then, is there not just as much necessity for giving the farmer a competitive price at Kitchener, London, Stratford, or other points, as there is for giving him a competitive price at Toronto?—A. Well, the farmer who markets his stuff directly to Kitchener or Stratford is of the opinion that he is getting as big a net return as though he sent it to Toronto where there is a competitive market.

Q. Well then, since you find it necessary to license the yard at Saskatoon—I think you mentioned that this morning?—A. Yes.

Q. Where there was a small packing plant attached to that yard, you found it desirable to license that yard, and provide all the facilities for competition there; would not that same principle apply, and would it not be equally neces-



sary and far more desirable in the farmer's interest to license the small yards at Kitchener, London, or Stratford, for the same purposes?—A. All these small receiving yards at Stratford, Kitchener, Guelph and so on, if they were used for the purpose of buying or selling or trading in live stock, then they would have to come under the operation of the act. They are receiving yards where they buy live stock to process it, but they do not sell the animals—that is a different situation altogether.

Q. But, in any event, you say there ought to be some provision made for these small plants at Kitchener, Stratford, London, etc., where they would not be required to have the additional expense of bringing their cattle from Toronto?—A. Yes, sir.

Q. Well now, may I ask you, are the prices at Kitchener and Stratford fixed on the basis of Toronto; or do they fix them themselves by bargaining with the farmer?—A. The price at Toronto has an effect, because the packer makes himself acquainted with the price at which he could get this stock at Toronto, and he gauges what he can get it for at Stratford or Kitchener on its way there and divert it.

*By the Chairman:*

Q. That is the governing price?—A. It has some influence.

*By Mr. Sommerville:*

Q. But nevertheless there is not the same competitive price at the small plants at Kitchener, Stratford and London as there is at the larger plant at Toronto, is there; not the same competitive prices for the producer?—A. No, it could not be called a competitive price.

Q. And if competition is a desirable thing to improve the price to the producer, then that competition is equally desirable for the smaller plants as it is for the larger plants; is not that a fact?—A. In establishing that competition at these small places you would increase the cost of marketing if you established a small stockyard.

Q. Don't let us get into the cost of marketing?

MR. ILSLEY: He is making a very vital answer, if you ask me.

*By Mr. Sommerville:*

Q. I am going to get it. I want you first of all to tell me whether that principle is not equally applicable at these small points as it is at Toronto—the necessity for providing competitive prices for the producer?—A. The farmer in marketing his live stock at Kitchener or Stratford, etc., believes that his net return must at least be as great as though he were to send it to Toronto; hence he would not send it to Toronto and to that extent there is competition in the fixing of prices.

Q. But he must be of the same opinion, or he would not ship direct to the packing plants at Toronto, would he?—A. Exactly so.

Q. Well then, if that is so, how do you account for the large number of resolutions that you have had—I know a number of them have been forwarded to this committee. Here, for instance, is a resolution

Resolved that all Canadian bacon for the British market be graded and labelled and sold on the same grade, and that all shipments of bacon be under strict Government supervision.

Also resolved that in view of the fact that 65 per cent of hogs, 20 per cent of cattle, 40 per cent of lambs, and 60 per cent of calves, in Ontario, are being shipped direct to abattoirs or packing plants, thereby depriving the producer of bargaining power.



Therefore, we urge that all livestock be shipped and sold on competitive public market.

Resolutions similar to the above have been received from the following organizations:—

Sydenham Progressive Club, Owen Sound, Ont.  
 Burn's Farmers' Club, Sarnia, Ont.  
 Oak Club, No. 850, United Farmers of Ontario, Renfrew.  
 Lucknow U.F.O. Club, Lucknow, Ont.  
 Dayton Club, Dayton, Ont.  
 North Easthope Farmers' Club, Stratford, Ont.  
 Farmers Club at Arthur, Ont.  
 Annan U.F.O. Club, Annan, Ont.  
 Four Mile Lake U.F.O. Club, North Bay, Ont.  
 Bar River U.F.O. Club, No. 74, Bar River, Ont.  
 Stayner Farmers Co-operative Co., Stayner, Ont.  
 Seaforth Livestock Shipping Club, No. 117, Seaforth, Ont.  
 Tait's Corners U.F.O. Club, Glencoe, Ont.  
 Pakenham U.F.O. Club, No. 174, Pakenham, Ont.  
 West Lorne Farmers' Club, West Lorne, Ont.  
 North Horton Farmers' Club, Renfrew, Ont.  
 U.F.O. Eady Club, No. 676, Coldwater, Ont.  
 Dunwich Farmers' Assoc., Dutton, Ont.  
 Chatsworth Live Stock Shipping Assoc., Chatsworth, Ont.  
 United Farmers' Co-Operative Ltd., Duke and George Sts., Toronto.  
 High River Board of Trade, High River, Alta.  
 Massie United Farmers' Club, No. 820, Chatsworth, Ont.  
 Seaforth Livestock Shipping Club, Seaforth, Ont.  
 New St. Andrew Club, St. Andrews, Ont.  
 North Easthope Farmers' Club, County of Perth, Ont.  
 Castleton Farmers' Club, Castle, Ont.  
 United Farmers' Club, No. 6, Guelph, Ont.  
 South Mountain Farmers' Club, South Mountain, Ont.  
 Mar Farmers' Club, R.R. No. 4, Wiarton, Ont."

Some twenty-eight resolutions from these clubs. (Exhibit 65.)

Mr. FACTOR: Mr. Sommerville, are these percentages correct, 65 per cent of the hogs and 40 per cent of the cattle?

Mr. SOMMERVILLE: The resolution reads that 65 per cent of the hogs, 20 per cent of the cattle, 40 per cent of the lambs and 60 per cent of the calves in Ontario are being shipped to abattoirs and packing plants.

Mr. FACTOR: Is that checked up, or is that the resolution?

Mr. SOMMERVILLE: That is the resolution. I thought that Mr. McCallum through his department might be able to give us figures, and as the only market in Ontario is Toronto we will probably be able to get the figures.

Mr. YOUNG: Just following up those figures, Mr. Sommerville, if 65 per cent of the hogs had been lifted from the open market and the packers only had to go into the market for 35 per cent, and in the matter of cattle they got only 20 per cent at their packing plant and have to go into the market for 80 per cent, naturally you would expect that the cattle market would suffer more from that condition than the hog market; but, as a matter of fact, we find it is the other way around. Could you explain that, Mr. McCallum?

The WITNESS: There certainly has been a most satisfactory improvement in the hog market since a year ago due largely to the increased demand and

better prices on the old country market. That demand, of course, was not at all affected by the fact that a large percentage of hogs was going direct to the packing houses or stockyards. The demand was there for the Canadian packer and the Canadian producer to shoot at.

Q. Do you think the packer has taken advantage of the fact that he had 60 per cent of his hogs quite independent of the stockyards, and that he has taken advantage of that to squeeze the price a little bit?—A. I could not say that he had or had not, because I do not know.

Q. He certainly would not be in a position to do it with his 20 per cent of cattle, would he?—A. No.

Q. Not to the same extent. Is there any real effective competition between the stockyard and the packer?

Mr. SOMMERVILLE: Between the stockyard—

Mr. YOUNG: The buyers in the yard competing with the packers. Is there any effective competition. The witness told us a moment ago that they assigned alleys to certain buyers and one buyer has an alley to himself and another buyer has an alley to himself. It seems to me you have eliminated competition in the yards just as effectively as you have in the plants.

WITNESS: I do not think I said that that obtained in Toronto. I did not make that reference to Toronto.

Mr. YOUNG: Some place anyway.

The WITNESS: Besides the two larger packers whose names have been mentioned frequently to-day we have the operator of a small abattoir situated in the stockyard who is regarded as one of the best buyers in Toronto and who goes into those yards.

*By Mr. Sommerville:*

Q. This man as a general rule pays the top price, and they let him go and take his supply, and then he is off the market for the day?—A. Is it not a fact that he establishes a high for that day and that the others have got to reach it for stuff of the same quality?

Q. If they do. They may not.—A. If they do it is a fine thing that he went through the alleys first.

*By Mr. Young:*

Q. What becomes of your arrangement that No. 1 buyer was to have No. 1 alley to himself for the first hour and No. 2 was to have No. 2 alley if this man is going to butt in? Have you broken that arrangement?—A. I didn't make that statement that that practice obtained in Toronto.

Q. It does in some places?—A. It did not some time ago. Whether it obtains today I do not know.

Q. Have you ever checked prices here against prices in Britain and followed them up to see if prices here vary with the prices over there?—A. The price for hogs for this last while has been pretty closely in line with the values in England—a slight fluctuation from week to week.

Q. Have you checked it closely enough to know whether our packers are taking a larger or lesser share of the product?—A. No, I have not.

*By Mr. Senn:*

Q. I do not suppose that that comes within the purview of Mr. McCallum's activities as head of that branch?—A. It does not.

The CHAIRMAN: As a matter of fact there will be an analysis made of that.

*By Mr. Ilsley:*

Q. It would appear from his resolutions as if the farmers were asking to be restrained by legislation from doing what they are doing from day to day?—A. I started to say this morning that we have twelve stockyards, most of them well equipped, in this country, which are under Dominion government supervision, and while we do not say so in so many words to the producer we virtually make it plain that any man has the privilege of deciding whether he should market his stock to these stockyards under the supervision which we exercise, or whether he shall choose for himself some other avenue of marketing.

Mr. FACTOR: And the farmer has chosen, apparently, the other avenue of selling direct to the packers?

The WITNESS: In view of the fact that we have no jurisdiction over that other avenue of marketing, and putting myself in the place of a farmer with live stock to sell, I am just seriously wondering how I would regard legislation which would seek to tell me that I must not sell my stock to a drover who was going to take it to my nearest station, load it into a car, and ship it direct to a packing house.

*By Mr. Sommerville:*

Q. Nor would that be the suggestion of these resolutions, would it?—A. I think that is included in these resolutions that live stock must all be marketed through a public stockyard.

*By the Chairman:*

Q. Mr. McCallum, would you look at it this way: You raised the point of the difficulty of the small abattoirs in these smaller cities outside of Toronto: suppose the live stock that goes to the Toronto area, that is that goes into the big markets and the big abattoirs of Toronto, were all marketed on the live stock yards in Toronto, would that in your opinion give a more competitive market than at present?—A. Yes, I think it would give a more competitive market; and in addition to that, while you are not interested in my personal difficulties, it would solve a great majority of the difficulties which I have in seeking to strike a level of stockyard marketing prices.

Q. Now, the next point, apropos of that; a moment ago you said that the Toronto market, even in its present restricted form, was one of the big factors in the determining of prices throughout the country—throughout Ontario, at least; if a larger proportion, or if the whole of it went into the live stock market, and it created a higher competitive marketing condition, would there not be a tendency for the prices to accelerate somewhat, and thus reflect back upon the country buying of the other smaller abattoirs in other points?—A. Well, we could depend on this in that event, that the prices as established were established on a basis of honest-to-God competition.

Mr. FACTOR: Apparently from this picture we need more competition; on the evidence last week we needed less.

Mr. SOMMERVILLE: It was unfair competition last week.

Mr. FACTOR: And this would be honest-to-God?

Mr. SOMMERVILLE: Yes, honest-to-God competition.

The WITNESS: I think possibly I had better retract that.

Mr. SOMMERVILLE: Oh, it is something we thoroughly understand.

Mr. FACTOR: It is just an expression.

*By Mr. Sommerville:*

Q. No, Mr. McCallum, suppose with reference to the question of marketing at live stock yards, you had a provision which required all packing com-



panies engaged in inter-provincial or export trade to do their buying on the stockyard, would that not solve the problem that apparently is troubling these farmers; because there you would have the packing company doing an inter-provincial or export trade going into the stockyard and there in open competition setting the prices which would be reflected through the country districts?—A. The immediate reaction of that question is this: How will you differentiate in the buying of live stock as between that which was intended for local slaughter and local consumption and that which was meant for inter-provincial trade.

Q. Is there a necessity for differentiating? The provision that I just suggested to you was one which I just asked you to consider, if the packing plant engaged in the business, whatever may be the use to which they may put their stock, if they are engaged in a business which does include export business, if they were required to buy on the open competitive market at the stockyards, would that not set the price which would be reflected back on these smaller areas of the province?—A. Put it another way; that would be an indirect way of prohibiting the farmer from selling direct to the packer.

Q. To a packer engaged in export or inter-provincial trade, yes. To put it directly, it would remove from the large packing plant the secret supply of stock which they have running, which you have admitted affects their activities on the market and leaves the agent without the same bargaining power as the buyer has?—A. That would have to be accomplished by new legislation. I know of no legislation at present existing whereby that could be accomplished.

Q. I presume that is so; I am not thinking of whether or not there is legislation; is that a practice which might help to improve the competitive price to the producer and remove some of the complaints that are rising about the use of this direct buying of cattle.

Mr. SENN: Do you include hogs in that, Mr. Sommerville?

Mr. SOMMERVILLE: Yes, hogs, all live stock.

The WITNESS: The marketing of all live stock through the public market would remove those complaints, yes; that is what is asked for.

*By Mr. Sommerville:*

Q. Now, Mr. McCallum, with reference to the question of hogs, did you want to deal with the question of marketing, the method of marketing hogs?—A. I would much prefer, if the Chairman would allow it, to have that discussed by my assistant who has charge of the hog grading and hog marketing in Canada.

Q. Probably that would be better; that is Mr. Pearsall?—A. Mr. Pearsall.

The CHAIRMAN: I think we have had Mr. McCallum on for a long time; he has done exceptionally well.

Mr. YOUNG: I just want to ask a simple question.

The CHAIRMAN: Quite so, but I was just going to say that I think we have almost exhausted Mr. McCallum. However, if you have any further questions, go ahead.

*By Mr. Young:*

Q. Does the trucker who takes his stock to the packing house ever check the prices he is offered up against the prices he could get in the yard, or is he quite ignorant of the prices in the yard?—A. I hope I am not prejudiced against the trucker of live stock; I would not like to be thought to be prejudiced. The fact that the trucking business has grown to such huge proportions seriously affects our stockyard marketing over the whole of Canada. As a matter of fact, 76.2 per cent of the cattle delivered at stockyards were delivered by rail

and 23.8 by truck; calves, 63.4 per cent by rail and 36.6 per cent by truck; hogs, 70.8 per cent by rail and 29.2 per cent by truck; sheep, 67.9 per cent by rail and 30.3 per cent by truck, a very appreciable increase over last year.

*By Mr. Sommerville:*

Q. That is for what month?—A. That is for the year 1933, for all the stockyards.

Q. An appreciable increase?—A. An appreciable increase over last year.

Q. Those are deliveries at the stockyard?—A. At the stockyard, Toronto deliveries, all species of live stock delivered by rail, 61.3 per cent, and all species of live stock delivered by truck, 38.7 per cent.

*By Mr. Senn:*

Q. That does not include abattoirs?—A. No, it does not; we have no figures for the direct deliveries by truck at abattoirs.

*By Mr. Sommerville:*

Q. I understand those figures are to indicate the very large proportion that is now handled to the stockyards by trucks?—A. By trucks.

Q. And would indicate a somewhat relative proportion of cattle, of live stock, handled to the packing plants?—A. It is creating a very serious situation with respect to our stockyards. This 38.7 per cent of live stock practically takes no feed, makes no contribution to the stockyards revenue from feed consumed, nor is there an unloading charge made; and yet if as has been suggested that a higher yardage charge were put on, this would not be sufficient to compensate for the loss sustained through lost revenue from feed. We are of the opinion that of some 6,000 cars of live stock that were received at the Toronto stockyards last year by truck, possibly half of those would never come to the stockyards if yardage were increased and a bad condition made worse; so we are in a position of wondering what is the best thing to do under the circumstances. The trucks are here to stay. The situation has got to be faced and dealt with in regard to their deliveries to the stockyards.

*By Mr. Kennedy (Peace River):*

Q. Is it generally believed that there is less shrink in animals going to market by truck than by rail?—A. Well, it is generally believed that shrink is less because they are under transportation for a so much shorter time. You must remember this, that rail shipments of cattle, while they may lose from 70 to 80 pounds per head in coming 100 miles, when they are fed, they get about 60 or 65 pounds of that back, so that the shrink is very light in the final analysis.

Q. In other words, the packer as I understand it would rather buy his live stock off the trucks where it has neither been fed or watered, than buy it in the yard?—A. That is rather an anomalous thing too, because the price of truck hogs is lower than the price of off-car hogs at Toronto by 25 cents—I believe it is 25 cents per cwt. off-truck hogs lower than off-car hogs.

*By Mr. Senn:*

Q. There are two prices, Mr. McCallum; the fed-and-watered price and the off-car price?—A. The f.o.b. price because a great many of the hogs that are now sold on the Toronto stockyards are sold on f.o.b. weight—and f.o.b. price—and the number that are sold fed-and-watered is very small.

*By Mr. Kennedy (Peace River):*

Q. You said that the off-truck price was lower?—A. Yes, that is quite easy to understand, because there is more shrink on hogs that come by rail.



*By Mr. Sommerville:*

Q. Have you in your branch of the department any record showing the spread between the cost of the live hog and the finished bacon as it is sold in Great Britain; or does that come within your department?—A. That does not come within my work, sir.

Q. Then, do you know whether or not such information is available in your department?—A. I will make inquiries with regard to that.

Q. Then will you be good enough to let us have the list of resolutions that you have, along the lines indicated in your evidence today?—A. Yes, sir.

Mr. YOUNG: I have not had an answer to my question, yet, Mr. Chairman.

Mr. SOMMERVILLE: I am sorry, Mr. Young, if I interrupted your question.

*By Mr. Young:*

Q. My question was, does the trucker when he comes into the packing house with a load of cattle or hogs and is offered a price for them, does he check that price against the price offered at the yard?—A. I could not answer that question, sir, because I do not know.

Q. You see the impression has been created here that this stock that comes into the yard by truck is a great source of supply to the packer, and the market has to contend with the price that is paid to the man who is selling that stuff. He must either be getting a higher price for it, or else he is getting the same price, or else he is sacrificing the stock to the packer. I want to know whether there is any relation between these prices?—A. While we are able to give you information as to what price the trucker receives, or the practice he follows at the stockyard, I am not in a position to tell you anything whatsoever about the practice at the packing house, because we have no jurisdiction over direct marketing either by rail or truck to packing houses, and it is beyond my power of ascertaining.

Q. You do not know whether the price paid at the packing house is a competitive price, or not?—A. No.

*By Mr. Edwards:*

Q. I suppose if one farmer sells a load of hogs to the packing plant, and his neighbour sells a load to the exchange, they can talk over the line fence and find out all about that, can't they?—A. That is quite easy to understand.

The CHAIRMAN: Now, I think we have really imposed on Mr. McCallum quite long enough. May I thank you, Mr. McCallum.

Mr. FACTOR: We have learned a lot from Mr. McCallum, at least I have.

Mr. SOMMERVILLE: We all have.

The CHAIRMAN: Thank you for your attendance, and certainly for the long time we have had you on the stand.

The WITNESS: I am only sorry, Mr. Chairman, than on some of the points on which you have asked information, I was not able to give the information desired.

The CHAIRMAN: You did very well, and thank you very much. I think we will adjourn until to-morrow at eleven o'clock.

Mr. FACTOR: What is your program?

The CHAIRMAN: We will continue with some representatives from Ontario on live stock.

The committee adjourned at 5.35 P.M. to meet again Wednesday, March 21, 1934 at 11 o'clock A.M.





HOUSE OF COMMONS, ROOM 368,

March 21, 1934.

The special committee appointed to inquire into price spreads and mass buying met at 11 o'clock a.m., the Hon. H. H. Stevens, presiding.

Mr. Norman Sommerville, K.C., of Toronto, and Mr. W. W. Parry, K.C., of Toronto, appeared as counsel for the committee.

The CHAIRMAN: Order, Gentlemen. The minutes of yesterday's meeting indicate the witness called, and the exhibits filed. If there is no objection, I declare the minutes approved.

This morning we have the three gentlemen representing the agricultural committee of the legislature of the province of Ontario, of which I think Mr. Jamieson is the chairman. Mr. Fraleigh and Mr. Craig are members of the legislative committee. We will have Mr. Jamieson first.

Mr. SENN: Before the witness is called. I understand that a subcommittee of the committee on agriculture and colonization of the Ontario legislature has taken evidence and submitted a report on the tobacco situation in Ontario. I suggest, if possible, that the report and the evidence taken therewith be secured for the use of this committee.

The CHAIRMAN: We can ask them if they would supply us with that.

Mr. SENN: I understand they have reported to the general committee, and I do not think there will be any difficulty about getting their report.

Mr. SOMMERVILLE: I am sure, Mr. Chairman, that the chairman (Mr. Jamieson) would be able to tell us that; it would be very valuable to have the report.

Mr. FACTOR: In that connection, has the clerk of the committee been able to secure the report under the Combines Act with respect to tobacco.

The CHAIRMAN: There is no reply yet, we will check them up.

J. E. JAMIESON, M.L.A., called and sworn.

Mr. SOMMERVILLE: Mr. Jamieson is the member for South West Simcoe in the Ontario legislature.

*By Mr. Sommerville:*

Q. Mr. Jamieson, you are the chairman of the committee on agricultural colonization in the Ontario Legislative Assembly?—A. That is right.

Q. And in connection with the work of that committee, you have been investigating agricultural conditions in the province of Ontario?—A. That is right.

Q. And have they as yet made a report, Mr. Jamieson?—A. I was presented with the report from the subcommittee, I think yesterday; it is in my possession, or the possession of my secretary, and will be available for this committee. I will be very glad to forward it.

Q. And would you be good enough to support that with any evidence that you have available taken in connection with the report?—A. Yes.

Q. Then, in connection with the inquiries of your committee, you have been investigating the live stock situation?—A. Yes.

Q. What has been the condition of live stock during the past year in the province of Ontario, Mr. Jamieson?—A. Well, we have had a general feeling—the producer, the shipper has lodged many complaints as to marketing conditions; and the subcommittee undertook to get all the evidence they could from shippers and producers during the session, and even previous to the session, and they have been submitted—I have been instrumental in collecting some evidence from shippers and producers which you have in your possession.

Q. Now, Mr. Jamieson, before dealing with the questions of the individual complaints, or the nature of the complaints, what generally has been the condition of the live stock industry in the province of Ontario during the year 1933, as to prices?—A. Prices generally have been very low, of course.

Q. And they have been below the cost of production?—A. Much.

Q. Yes, and what has been the view of the committee with respect to the question of improving prices by competition?—A. Our committee at its first meeting organized subcommittees pertaining to each phase of agriculture, which they were to go into and present reports on the different phases of agriculture during the sessions of the legislature. The committees have been called from time to time, and live stock produced the main interest.

Q. Is that because of the relatively low prices of live stock on the market?—A. The low prices and the marketing conditions.

Q. Now, first of all as to marketing conditions, what observations have you to make to this committee as to competition in the local stockyards?—A. Well, the general report of the committee indicates that competition has fallen down.

Q. Yes, and how do you account for that, Mr. Jamieson?—A. We attribute that to the percentage of stock purchases going direct to the packer, and the packer controlling the conditions that prevailed.

Q. That is, through the proportion of stock that went to the packer direct; he was in a position to control the conditions on the market?—A. Yes.

Q. How could he control the conditions on the market, Mr. Jamieson?—A. Well, our observations and reports are that the buyer does not appear till late in the forenoon, possibly eleven o'clock in some cases, and we had evidence where they did not appear until even four o'clock in the afternoon; and not even bidding on the stock that was in the yards.

Q. Yes, and the result on the market was what?—A. Draggy.

Q. Draggy; and the effect upon the price?—A. Low.

Q. And that was the basic condition that you found?—A. Yes.

Q. Then, what observations have you to make, if any, as to your enquiries respecting the sale of hogs at fixed differentials?—A. We found that the hog prices of late have not been so bad, but we find that there are many complaints on grading conditions.

Q. That is, when you refer to grading conditions you refer to the sale of fixed differentials on various grades?—A. Yes.

Q. And what would be the observation as to the improvement that could be made in that respect?—A. A great many in the evidence felt—they were recommending grading on the rail, or any system preferable to what they had.

Q. Any system preferable to the system of selling at the present time?—A. Yes.

Q. Were there any representations made to your committee, or evidence given, that sale by grades, as grades, would be better?—A. Some discussion arose as to that, and they felt that it could not be any worse; that was the general impression, and they were ready to accept any grading that might be devised in preference to what they had already.



Q. What was the effect of the fixed differential in the sale of hogs, as far as the packers are concerned, in getting a load?—A. The committee were rather of the impression that they were not particular about the grade, they would have been turned down; if you picked out your selects they would not buy unless they bought the whole load.

*By Mr. Kennedy (Peace River):*

Q. When you complain about grading, do you think you are not getting enough selects?—A. That is the idea, that is the general impression; and the drover who was going to the country—the producer was demanding the grade and did not consider it any benefit, and was ready to sell his hogs as they were and the drover encouraged that.

*By Mr. Edwards:*

Q. I was just going to ask you, Mr. Jamieson, about this grading; assuming the farmer takes in a lot of 20 hogs and says he has 12 selects and so many seconds and so many thirds; now, the packers' buyer differs with him, and says he has ten selects, or eight—as the case may be?—A. You don't have the farmer saying—

Q. Who fixes the price, who arbitrates?—A. The abattoir or the grader.

Q. Well now, my information is that at these smaller packing plants a government official is there all the time who can be called in by the packer and the seller, who had to accept his judgment as to how many selects there are?—A. I think the seller has to accept what he gets. Our experience has been that the farmer has not been dictating as to whether they are selects or not. He thinks he has selects, but he knows he has to take what he gets. The buyer will come along and say, I will allow you three, or four selects; and he sells them on this basis and takes the drover's word.

Q. Is it not true, Mr. Jamieson, that there are government officials at both the packing plants, and that the farmer accepts his word; they both have to accept it?—A. Yes, absolutely.

*By Mr. Sommerville:*

Q. Wherever there is a government grader he is the man who fixes the grades?—A. We think so.

Q. He is the man whose decision rules?—A. Yes.

Q. And that decision is made for the purposes of settlement?—A. Yes.

Q. That is, when he fixes the grade, then the buyer settles on the grade that he fixes?—A. Yes.

Q. Well now then you say the packer insists on getting all the grades, or he won't buy selects?—A. We find some of that, yes.

*By Mr. Young:*

Q. You are referring to stockyard practices, not direct to abattoirs?—A. Oh no, we know nothing about the direct stock; we have no record of what is done there.

Q. But in connection with the stockyard shipments you find that the packer insists on getting all the grades, or he won't buy the load?—A. Yes.

*By Mr. Ilsley:*

Q. I thought you said he did not get the selects he was entitled to?—A. The farmer says he thinks he does not get all the selects he is entitled to, but does not question it. The spread is only a dollar. He is ready to sell his selects. They are taken to Toronto, and he realizes that he has no say and he accepts the price.

*By Mr. Edwards:*

Q. I think the big sale is to the packing plant?—A. I am referring to the drover when he buys a load of hogs from the farmer. He settles with the farmer and sends them down to the stockyard.

*By Mr. Factor:*

Q. Sometimes the farmer does not utilize the opportunity of getting the advice of the government grader?—A. Very often.

Mr. SENN: He has the opportunity of having them graded.

Mr. FACTOR: He has the opportunity to have them graded.

Mr. SENN: As I understand it, every hog that goes on to the stockyard is graded.

The CHAIRMAN: I think you are getting a little bit at cross purposes, Mr. Senn.

*By Mr. Sommerville:*

Q. Every hog that goes on the stockyard is graded?—A. Yes.

Q. And that grade is made by the government grader?—A. That is what we understand.

Q. And both the farmer and the packer must accept that grade?—A. Yes.

Q. Whether it is good or bad?—A. Yes.

Q. Whether it is for or against the farmer; now that is clear?—A. That is clear.

Q. Now, one complaint is that the farmers sometimes think they do not get enough selects in their grading?—A. That is it.

Q. That is one of the objections?—A. Yes.

Q. And another objection is that when they are graded the packer insists on getting all the grade?—A. Yes.

Q. Or he will not buy the selects?—A. That is very often the case.

Q. And the submission of your committee was that if they were sold by grades to respective purchasers, there would be a bigger price paid for these lower grades?—A. We feel that there would be better competition.

Q. On these lower grades?—A. Yes.

*By Mr. Young:*

Q. The spread between the grades is not fixed?—A. Yes.

Q. What difference does it make who buys it after the government grader grades them; the spread is fixed, what difference does it make who buys them?—A. Well, the shipper—

*By Mr. Sommerville:*

Q. Now, wait till we get this clear; this differential is fixed by the packer, is it not?—A. Yes.

Mr. SOMMERVILLE: If it is not fixed by the government the differential—

Mr. ILSLEY: That is not the evidence we have before us, it was fixed either ten or twenty years ago.

Mr. SOMMERVILLE: Not the differential below the bacon; the only thing that is fixed by the government is that of hogs over bacon, namely selects, on which a premium of \$1 is paid.

The WITNESS: A premium, that is right.

Mr. SOMMERVILLE: That is the premium, and that is the thing which the government insisted on.

Mr. ILSLEY: I certainly did not understand that. I understood that about 1919 or 1920 they fixed these differentials, some sort of a body representative of all interests fixed these differentials; and we had a big discussion as to whether these differentials should be specific or ad valorem.

Mr. EDWARDS: Mr. Ilsley is quite right about that.

Mr. SOMMERVILLE: It is not the government, however.

Mr. ILSLEY: All interests were represented, the government was represented.

Mr. SENN: The statement made was that the Joint Swine Committee fixed these differentials.

Mr. SOMMERVILLE: With the packer.

Mr. SENN: I do not think so, yet.

Mr. EDWARDS: If I might interrupt, Mr. Sommerville.

Mr. ILSLEY: It was made quite clear by the witness, whether his evidence was correct or not, it was a committee representative of all interests—a very fairly constituted committee.

Mr. SOMMERVILLE: We will find out later who fixes the differential.

Mr. ILSLEY: All right.

*By Mr. Sommerville:*

Q. But the complaint is that when the differential is fixed the packer insists on getting all the grades, or he will buy none?—A. That is right.

Q. And the observation of your committee is that if the seller could sell his respective grades separately, to separate people, there would be competition on each grade?—A. Yes.

Q. And, therefore, there would be a bigger price for these lower grades?—A. We think so.

Q. In other words, there are some buyers who would require butchers and lights?—A. Yes.

Q. And there are more buyers who would require butchers and lights than would require the premium bacon?—A. Yes, we think so.

Q. And with the present system he cannot get the butchers and lights without buying a whole load?—A. That is so.

Q. And therefore competition is restricted or eliminated?—A. Yes.

*By Mr. Factor:*

Q. In other words, we would have to eliminate these grade differentials, is that the recommendation?

Mr. SOMMERVILLE: There are two factors, Mr. Factor. The first is a grade. Now, the grade is fixed by the government grader and that grade divides the hogs into their respective classes.

The WITNESS: Yes.

*By Mr. Sommerville:*

Q. That is one thing that is quite irrespective of price and independent of price. The next thing is that someone or other says that these various grades bear a certain relation to one another, and that is settled by price. Therefore, we take the bacon hog as the basic hog; is that right?—A. Yes.

Q. And you take 50 cents a hundredweight, or \$1 a hog off for butchers, and \$2 off for heavies and \$2.50 off for sows?—A. Yes, along those lines. That is the scale.

Q. That is roughly the scale. The suggestion of the committee is that if the vendor could sell his heavies or lights separately as they are graded by the government grader and there was a larger number of buyers those heavies and lights would get a better price?—A. They think it would be a better system.



Mr. YOUNG: There would be a premium paid over the price for each grade at times.

The WITNESS: Yes.

*By Mr. Sommerville:*

Q. That is right. That is the observation. You think it would be an improvement?—A. We think it would.

Q. You think the purchase of the whole being insisted upon by the packer limits competition?—A. Yes.

Q. And therefore affects the price?—A. We rather think so.

Q. Then, Mr. Jamieson, what other observations have you to make respecting the question of marketing?

Mr. FACTOR: Has Mr. Jamieson got the percentages that go to the rest of the packers and to the stockyards?

The WITNESS: No, sir, we have not got that direct. I think you can get that fairly accurately, but we estimate it in the neighbourhood of 30 per cent of that product went direct to the packer.

*By Mr. Factor:*

Q. That is 30 per cent of the cattle?—A. Cattle and hogs.

Q. We will get the accurate amount?—A. We do know that the packer bids and induces the producer to ship direct to the packer.

Q. To go direct to the packer?—A. Yes.

Q. That is what you find?—A. Yes.

Q. To avoid the stockyards?—A. Yes. They tried to attract them to go direct, and we had reports where 50 per cent was possibly going.

Q. From some districts?—A. Yes.

*By Mr. Young:*

Q. Cattle or hogs?—A. Both.

*By Mr. Sommerville:*

Q. Did you find that to be a general practice, that they were encouraging direct shipments rather than by going through the stockyards?—A. Yes. It came to the ears of the committee. That was the report.

*By Mr. Ilsley:*

Q. What efforts do they put forward to attract them direct?—A. If they are acquainted with anybody that drives up—they know he is shipping to the plant—they get in touch with him and keep in touch with anybody who is shipping by truck. Principally truck stuff goes direct.

*By Mr. Kennedy (Winnipeg):*

Q. With regard to the farmers themselves, are they not in favour of having the privilege of selling direct to the plant?—A. The general feeling seems to be that the stockyards were there for the purpose of establishing competition for the market and they desired to get the competition. The feeling of the producer is that he wants a competitive market.

Q. He would like to have the right to sell direct taken away?—A. Yes. The shipper prefers to go direct.

*By Mr. Edwards:*

Q. Why does he sell direct?—A. This might happen. A trucker is paid by the farmer to take a load of livestock to the market. He is only making a day's pay. That is all the interest he has in the load. He may be able to make

another trip if he gets rid of it direct that day, make another few dollars. He is well used when he drives direct to the plant. He unloads his stuff. He possibly may deliver another load; and the trouble is he has not anything invested in the stock which he brings down; his interest is not in that stock but in making a day's pay for his service.

*By Mr. Young:*

Q. Would the fact that he might be able to make two trips affect the rates he charges?—A. Not necessarily.

Q. It would not have any tendency that way?—A. No.

*By Mr. Sommerville:*

Q. Then the trucker has a personal interest in endeavouring to get the live stock to the plant rather than to the stockyard?—A. Well, we think that prevails in some cases.

Q. Did your committee get any evidence of any special bonus being paid or of any special amount being paid by the packers to truckers for producing a certain volume in the week for them?—A. No. We have no evidence.

Q. You haven't any evidence? But your committee made observation with respect to the interest of the trucker?—A. Yes, to some extent.

Q. And you say the necessity for greater competition prompts the producer to desire the shipments to be hauled to the stockyards?—A. Yes.

Q. Now, then, dealing with the question of stockyards, what are the observations of your committee as the result of your evidence on stockyards and stockyard charges?—A. Well, the principal complaint that we found was in the hay product, and the questionnaires which we produced—which we have through Lampton county—on 65 questionnaires sent out by Mr. Fraleigh the returns are 100 per cent, not one confirmed the charges that existed pertaining to hay. Not so much complaint about the other charges, the other fees; but they felt they were being charged an exorbitant price for their hay.

The CHAIRMAN: That refers to the large profit that is charged on hay?

The WITNESS: Yes. We had evidence that hundreds of tons were sold to the yards last year at \$6 a ton and retailed at \$26.

*By Mr. Factor:*

Q. \$26 a ton?—A. Yes.

Q. I thought they were limited to adding from \$10 to \$12 a ton.

Mr. SOMMERVILLE: That is the regulation.

Mr. FACTOR: In other words, they break—

The WITNESS: We do not know anything about the regulation. The information in the communications here and the replies to the questions sent out, the lowest is \$26—some \$28 and \$30; and drovers give evidence to our committee through these questionnaires of selling hay at those prices and buying it the next day when they went for their stuff at \$26 a ton.

*By Mr. Young:*

Q. Are these average cases or isolated cases?—A. No, this is pretty uniform. There has not been a case quoted in my enquiry below \$26.

*By Mr. Factor:*

Q. That is in the Toronto stockyard?—A. Yes.

*By Mr. Young:*

Q. The spread between what they pay and what they charge would be \$20 on the average?—A. At the time they sell it at \$6 a ton it would be retailed at \$26.

Q. Was that laid down, freight paid?—A. Delivered. We have documents before the committee, 100 tons from one man delivered in the stockyard at \$6 a ton, retailed at \$26.

The CHAIRMAN: We will call the stockyards later and get the facts. The main point you have to emphasize is the uniform complaint about the very high price charged for hay?

The WITNESS: Yes, uniform complaint.

Mr. FACTOR: Apparently it is a clear violation of the regulation according to Mr. McCallum.

The CHAIRMAN: It would appear so, but I am afraid we could not demonstrate that just now.

*By Mr. Sommerville:*

Q. That is with respect to stockyards. Now, what was the observation of the committee on the evidence taken with respect to charges of the livestock exchange men, the commission men?—A. The unanimous report that the commissions were too high.

Q. What reasons were given for the complaint that the charges were too high?—A. Evidence was produced to the committee that in 1914 commission on a carload of cattle was \$12, I think, for handling that carload; in the present year it is \$17. No reduction had ever been made. The question arose in the committee: had any reductions been made, any percentage, during the period of hard times. There had been a lower percentage for every other concern in the province and the Dominion and they had taken their cuts, but the report of the evidence is that there was never any cut made by the commission men.

Q. All others having taken reductions in salaries and cuts, the evidence before your committee was that the livestock men had not taken their cuts?—A. Yes.

Q. And had not reduced the charges?—A. That is right.

*By Mr. Factor:*

Q. You mean commission merchants?—A. Yes.

Q. Yesterday I read a letter from one of the commission merchants complaining that they would sustain a loss if the present commission is reduced. Do you know anything of the net profits of the nine firms operating in Toronto?—A. No, we do not know. It has been reported to our committee that there is \$22,000 in telephone messages there which we think looks rather unreasonable. We do not know all the conditions. We have no way of finding the financial situation. We do not know whether they are losing money or not, but we do know that these are the same conditions, and we do know that a commission man set up a month ago, and there are preparations being made, as we learn, for another to set up.

Q. Did you have the commission merchants before you at your committee to give their side?—A. I might explain. I think it was last week we gave notice to the commission men if they had anything to say to the committee we would be very glad, and we allotted the hours from ten to eleven to hear them, and we waited until ten-thirty and they did not appear. Therefore we sent a messenger to the phone and we learned that they could not very well attend for some reason or other.

*By Mr. Sommerville:*

Q. You had no evidence from the commission men themselves upon their financial position or their charges?—A. No.

Q. Your conclusion, from the complaints that you had, was that the charges were too high?—A. Yes. We had to accept the report that we got from all parts of the province.



*By Mr. Factor:*

Q. What do you say about this statement contained in a letter from one of the commission merchants that the net profit is  $2\frac{1}{2}$  cents for the year 1933?—A. I would not be able to state because I am not in touch with their offices and their financial conditions. We do learn that three commission men handle in the neighbourhood of 60 per cent of the products. That report has come to our committee.

*By Mr. Sommerville:*

Q. In addition to the stockyards, were there any other complaints that were being made with respect to charges from commission firms?—A. No, no complaints, only their fees.

Q. Was any evidence produced before your committee to indicate that if there was a larger quantity of stock going to the stockyards there would be a reduction in charges?—A. The general impression of our committee was that if the stock went through the yards it should lend itself to reducing the exchange charges.

Q. And also reducing the stockyard charges?—A. Yes.

*By Mr. Senn:*

Q. Do you think it is possible to have all the stock go through the stockyards?—A. Well, if this government cannot proceed to do something, Ontario has no power. It is all within the power of this government to control or take into consideration the control, as we learn, of the situation there.

The CHAIRMAN: You mean the stock market in Toronto, I presume?

The WITNESS: Yes. Now, I might state that the Minister of Agriculture and our committee are unanimous in the opinion that if conditions do not change there immediately that the Dominion government take over the situation and control it in some way.

*By Mr. Sommerville:*

Q. Take over the stockyards?—A. Yes, take over the stockyards.

Q. And control the situation of marketing?—A. Yes.

*By Mr. Factor:*

Q. That would not solve the problem of the farmer selling direct to the packer?—A. Well, it would certainly be very acceptable to 90 per cent, and in fact I think I am safe in saying 99 per cent of the province of Ontario; it would be acceptable at the present moment.

Q. Because of the conditions that prevail in the country?—A. Yes.

*By Mr. Senn:*

Q. You mean that 99 per cent of the farmers in Ontario would be willing to accept government intervention that they must market their stock through the abattoirs?—A. I will not say they must sell their stuff through the stockyard; but I think I am safe in saying that 99 per cent of the producers of stock will favour the government taking charge of the stockyards and the exchange.

*By Mr. Young:*

Q. They would like to keep the packing houses in operation as opposition?—A. They feel also that the great trouble of all exists in the packing plants.

*By Mr. Sommerville:*

Q. And what is that trouble?—A. We are rather inclined to believe, only by what we can pick up—we have no way of investigating—but the general impression of the committee was that they were not losing any money and, in

fact, they must in the last year or two have made reasonably large profits, and you can quite realize at the present moment that there is not any expense connected with either stockyards, exchange or any part of the marketing that the producer does not maintain and pay every cent, even the stamps on the cheques that the exchange pay him for his stock. They charge him that.

Q. That all comes out of the producer?—A. That all comes out of the producer. The consumer and the retail man does not pay any percentage of the cost that exists up to the present time.

*By Mr. Factor:*

Q. How will the taking over by the government help that?—A. Well, we always feel, and we know that the people can bank their faith pretty well in the government men.

*By Mr. Sommerville:*

Q. Taking control of the situation?—A. It takes it out of private interests, and we think if there were some way of getting at them it would be a better condition.

*By Mr. Senn:*

Q. When you suggest that the government take over the stockyards, do you mean the companies or the commission firms or both?—A. Yes, both. Take charge of the stockyards and exchange, if you choose.

*By Mr. Edwards:*

Q. Take the packing plant in Kitchener. The farmers in that district truck their stuff to the Kitchener plant. Would you suggest that that be marketed through the yards in Toronto and back to Kitchener?—A. No. We understand that there is a certain percentage of stuff under the choice of the shipper. He takes his choice as to what market he shall go. The Toronto yards will control a certain percentage, and there is a certain class of producers that will always go to Toronto, but as we understand it they pretty well control the market in this Dominion at large.

*By Mr. Sommerville:*

Q. That is to say that if you build up the Toronto market, you build up all the other markets?—A. Yes.

Q. And if you provide more competition at Toronto you provide a better price throughout the country?—A. That is my view.

Q. And, therefore, by building up the Toronto market you get a better price for your farmer even if he were to send direct to the smaller plants throughout the country?—A. Yes, it is the prevailing price.

Q. Then, Mr. Jamieson, you were speaking of the packing interests. When the stockyards were first established and the packing plants were first established at the stockyards, did not all or practically all the stock go through the stockyards to the packing plants?—A. That is our information.

Q. And that was the time when you had a number of packing plants and you had large competition upon the market?—A. Yes.

Q. And then with the merging of the plants there has been a larger amount going direct and a smaller amount of competition?—A. Yes.

Q. And that competition has been steadily decreasing?—A. Yes.

Q. And that is the situation that was disclosed to your committee, was it not?—A. Yes. The Canada Packers used to be four packing plants, and we only have Swifts and Canada Packers.



Q. You have only Canada Packers and Swifts at Toronto, practically?—

A. Yes, the local butcher likes to come into the market. We also have the evidence coming to our committee—reported to our committee that no competition—one buyer went down one alley, and that plant did not grant permission to the second buyer to go into that alley.

Q. What do you mean by that? Let us develop that.—A. It is the prevailing practice.

Q. Then, Mr. Jamieson, you were speaking of the packing interests; when the stockyards were first established and the packing plants, were first established at the stockyards, didn't practically all the stock go through the stockyards to the packing plant?—A. That is our information.

Q. And that was a time when you had a number of packing plants, and you had much competition upon the market?—A. Yes.

Q. And then with the merging of the plants, there has been a larger amount going direct?—A. Yes.

Q. And a smaller amount of competition?—A. Yes.

Q. And that competition has been steadily decreasing?—A. Yes.

Q. That is the situation that was disclosed to your committee, was it?—A. Yes. There are what used to be four packing plants, and we only have Swifts and Canada Packers.

Q. You have only Swifts and Canada Packers at Toronto, practically?—A. Yes, and the local butcher that likes to come into the market. We also have the evidence given to our committee, reported to our committee, that no competition—one buyer has to run down one alley and that plants do not grant the second buyer going into that alley.

Q. What do you mean by that; just develop that?—A. As I understand the report that came to our committee, we had it reported that there was not more than one buyer for an alley, and the packing plant which sent their buyer out there saw that no other buyer from their plant disturbed that alley.

Mr. YOUNG: What about a buyer from another plant?

*By Mr. Sommerville:*

Q. Yes, what about a buyer from another plant?—A. Of course, we know what is in the minds of the people, but we have not evidence. It is in the minds of the people that the packers have a little conference occasionally, and they know what they are going to pay to-day, and they know who will go up certain alleys.

*By Mr. Young:*

Q. Are not commission men in there buying as well as packers?—A. Commission men are there selling my stuff or shippers' stuff that comes in there. The exchange is doing that.

Q. There is no buyer but the packer?—A. The packers are the only buyers, possibly, at times.

*By Mr. Sommerville:*

Q. At times you have the butchers, the small butchers?—A. Yes.

Q. And you have the packer, and then at times you have the buyer who wants feeders to take out to fatten?—A. Yes.

Q. And with the exception of these buyers, the packers are in control?—A. They control the whole situation.

*By Mr. Young:*

Q. There was something said yesterday about speculators who buy to ship to another; does he come in somewhere?—A. If he wants to buy cattle, I presume he could go to the stockyards, if he wants to buy a load of cattle which he can very often get at a very reasonable price.



Q. Speaking broadly, you say there is no competition in the yard except what is furnished by the packers?—A. A man who is buying to feed, buys cows at a certain season of the year, and it might be a month for the season that certain feeders are needed in the country.

Q. The fall of the year?—A. Yes. The other eleven months is left to the packer and the local butcher.

*By Mr. Kennedy: (Peace River):*

Q. Feeders are a different type?—A. Yes, feeders are a different type of cattle.

*By Mr. Sommerville:*

Q. The packer is not interested in the feeder?—A. No.

Q. He is interested in the cattle or live stock which he can kill and dress?—A. Yes.

Q. What other observation can you make to this committee with respect to the practices that have been complained of, Mr. Jamieson?—A. Well, I don't know how better I could put it with less trouble than to just read a few lines here.

Q. Very well?—A. "Dealing weekly with those men down there I have come to know many of them personally, both commission and abattoir men, and I must say that I have found most of them good fellows. However, I find a great lack of competition among the buyers. It is an exception rather than a rule to have a buyer raise the bid against another. A few weeks ago I had one lot of five cattle. My commission men when they saw them put their value at  $4\frac{1}{4}$  cents per pound. One of Swifts' men offered  $3\frac{1}{2}$  cents for them. Another buyer offered  $3\frac{3}{4}$  cents. Another of Swifts men came and bought the cattle at 4 cents."

*By Mr. Ilsley:*

Q. The first figure was  $3\frac{1}{2}$ ?—A. The first figure was  $3\frac{1}{2}$ .

Q. You said  $4\frac{1}{2}$ .

*By Mr. Sommerville:*

Q. The commission man first put it at  $4\frac{1}{2}$  cents value?—A. Yes.

Q. The first bid was  $3\frac{1}{2}$  cents?—A.  $3\frac{1}{2}$  cents. The second bid was  $3\frac{3}{4}$  cents. He then was bid 4 cents. "They were weighed to him and the tickets sent into the office. Now, there is an unwritten law there that after a buyer makes an offer no other buyer is to be taken in to bid on the cattle. After the yards had closed at four, the first bidder returned the tickets to the commission and refused to keep the cattle." The market was practically over and he was forced to take  $3\frac{3}{4}$  cents. You notice the cattle went over the scales, as he thought at 4 cents. They forced him to take  $3\frac{3}{4}$  cents.

*By Mr. Factor:*

Q. That is the second bid?—A. The third bid.

*By Mr. Young:*

Q. The second bid was  $3\frac{3}{4}$  cents?—A. Yes.

*By Mr. Sommerville:*

Q. The first bid was what?—A. The first bid was  $3\frac{1}{2}$  cents.

Q. Of Swifts?—A. Yes.

Q. The second bid was  $3\frac{3}{4}$  cents?—A. Yes.

Q. Swifts came back at 4 cents?—A. Yes.

Q. And then when it was weighed over the scale to Swifts, the tickets were returned to the commission firm?—A. Yes.

Q. They refused to take them at 4 cents?—A. Yes.

Q. And they had to go back to the buyer at  $3\frac{3}{4}$  cents?—A. Yes. The day was closed. The market had closed at four o'clock in the day. He was obliged to take  $3\frac{3}{4}$  cents. That is his own statement.

Q. You are submitting this in connection with the complaints you received?—A. Yes.

Q. That there was practically no competition among bidders?—A. That is practically a uniform complaint.

*By Mr. Factor:*

Q. But was there not a contract made between them when the bid was made of four cents?—A. He expected he made a contract, and he was taking the cattle. He went over the scales, as he thought, sold at 4 cents.

*By Mr. Young:*

Q. Is there any board that controls those things in the yard?—A. I don't know of any.

*By the Chairman:*

Q. Would you give the name of that individual to Mr. Sommerville?—A. Yes.

*By Mr. Kennedy (Peace River):*

Q. That was the same man that offered 4 cents as the man that offered  $3\frac{1}{2}$ ?—A. No, I don't understand it was. Another buyer, he said. It was the same firm that bid  $3\frac{1}{2}$  and 4 cents.

Q. Who got the cattle?—A. He sold them to the first bidder, the firm that bid  $3\frac{1}{2}$  cents. He thought he sold at 4 cents to another bidder.

*By Mr. Sommerville:*

Q. Of the same firm?—A. Yes.

*By Mr. Ilsley:*

Q. It was a case of the buyer backing out?—A. Apparently.

Q. Would that be an isolated instance?—A. The information we get, he says it is an unwritten law that one buyer from the same firm will not bid against another. Therefore they bought the cattle; they bid  $3\frac{1}{2}$  cents. As he expected, he sold the cattle at 4 cents, and they went over the scale and as he thought it was finished. But these tickets came in, they refused to pay  $3\frac{3}{4}$  cents; that was not their bid.  $3\frac{1}{2}$  cents was their bid and 4 cents was their bid.

*By Mr. Kennedy (Peace River):*

Q. Did the same packing company get the cattle?—A. Yes, the same packing company got the cattle.

Q. Three different bids?

*By Mr. Young:*

Q. No, the first man bid  $3\frac{1}{2}$  cents. That was a Swift man. Somebody else bid  $3\frac{3}{4}$  cents. Then a Swift man comes in and bids 4 cents and they sold to him?—A. That is right.

Q. Then he refuses to take them on the ground, as you say, that nobody can bid against the first bidder—that the second man bid against the first bidder?—A. No, that is what he reads from it. He was there, and he had to take it because the day was closed. To bring them back into the yard after going over the scale meant that he kept them another day, which meant money to him.

MR. FACTOR: In other words, Swifts chiselled him down to  $3\frac{3}{4}$  cents.

MR. YOUNG: No, Swifts didn't get the cattle.

*By Mr. Sommerville:*

Q. Is this not the situation: The first bidder was from Swifts at  $3\frac{1}{2}$  cents?—A. Yes.

Q. Then another buyer from another firm bid  $3\frac{3}{4}$  cents?—A. Frank Hunniset, as a matter of fact.

Q. Frank Hunniset bid  $3\frac{3}{4}$  cents, and he is an independent?—A. Yes.

Q. And another buyer of Swifts, not the first man, came along and bid 4 cents for Swifts?—A. Yes.

Q. And when they went over the scale and were awarded to Swifts, the tickets were returned?—A. Yes.

Q. And the cattle were refused by Swifts?—A. At 4 cents.

Q. Yes, at 4 cents; and the cattle went back to Hunniset at  $3\frac{3}{4}$  cents?—A. No, it stayed there. He didn't bring it back. He accepted.

Q. He accepted at  $3\frac{3}{4}$  cents?—A. Yes.

Q. This is given in evidence in support of the contention that it is the unwritten rule in the yard that when one buyer from the firm that makes the first bid, another buyer from the same firm shall not increase that bid?—A. He terms it an unwritten law.

Mr. YOUNG: Eliminates competition.

*By Mr. Sommerville:*

Q. Another buyer might come along and feel that these cattle are worth a quarter to a half a cent more?—A. Yes.

Q. But when they have learned that the first buyer for their firm has bid a quarter of a cent less, then they withdraw?—A. Yes.

Q. That is the suggestion, is it?—A. Yes.

*By Mr. Ilsley:*

Q. Is that the practice, or is it an isolated instance?—A. This man ships every week, and he goes out—I know him personally; I know he ships; I know he buys the stuff and pays with his own money. He takes them to the yard, and he takes his competition there, and when I write him for information this is what he gives me, and is very anxious that something will develop.

Q. I know, but he may be sore about that one instance?—A. No.

Q. Does that happen right along, or is it just something that happens once in five years?

*By Mr. Sommerville:*

Q. His letter says that it is a practice?—A. Yes.

*By Mr. Ilsley:*

Q. To back out on its bids in that way?—A. Well—

Mr. SOMMERVILLE: No.

Mr. FACTOR: He says it is an unwritten law.

Mr. KENNEDY (*Peace River*): The bid was raised, the first bid was raised.

Mr. SOMMERVILLE: The first bid was raised by another packer.

Mr. KENNEDY (*Peace River*): Yes.

Mr. SOMMERVILLE: By the independent packer or man who had the small packing plant.

*By Mr. Kennedy (Peace River):*

Q. And he got the cattle?—A. No. Swifts came up.

Mr. EDWARDS: Swifts chiselled him out of a quarter of a cent.

Mr. KENNEDY (*Peace River*): They took the cattle away from the other fellow.



Mr. SOMMERVILLE: Yes; because they had been weighed over the scale to Swifts, they were Swifts' cattle; but when the price tickets went in Swifts apparently found that they had made two bids on the same cattle, one at  $3\frac{1}{2}$  cents and the other at 4, and they refused to honour the 4 and insisted on getting them at the price which had been bid by Hunniset,  $3\frac{3}{4}$  cents. That is the situation.

Mr. ILSLEY: They regarded the second bid as null and void because it was made against their own man.

Mr. FACTOR: Some system.

The CHAIRMAN: Apropos of this, I have the rules of the Toronto Live Stock Exchange in my hand, and in article 21, subsection 3, we have this rule:

All purchases and sales of live stock at the market shall be made upon the basis of a bona fide bid, or bids, to buy, by the purchaser, and the acceptance of such bid, or bids, by the seller; or an offer, or offers, to sell, by the salesman, and the acceptance of such offer, or offers, by the buyer. The price, or prices, thus bid or offered and accepted by either buyer or seller, at the time the transaction is made shall be the price, or prices, governing such purchase or sale and the scale ticket shall be so marked.

So this is evidence that in this instance, I am pointing out that it was an utter violation of their rules.

Mr. FACTOR: Taking advantage of the farmer.

The WITNESS: That is a usual occurrence, taking advantage of the farmer.

*By Mr. Kennedy (Peace River):*

Q. What is the closing hour?—A. Four o'clock.

Q. They get out of this by saying that the closing bid was made after that hour?—A. No, they were over the scale at four, and it was then closing.

*By Mr. Sommerville:*

Q. But it was refused after four, and the man had no other market?—A. Naturally his commission man led him to believe that his cattle were worth  $4\frac{1}{2}$  cents. He stayed on the market as well as he could and tried to get as good a price as a commission man could get.

Q. And got no bid until late in the afternoon?—A. I don't know what time. He may have got some of those bids early in the day. I don't know.

The CHAIRMAN: I think it is just as well to put in another subsection; it is just as well to have it on the record. It is so clear. Section 4 in the same article 21:

Members of the exchange, or their employees, in consummating the purchase or sale of live stock at the market, shall agree upon all the terms of the trade, at the time the said trade is effected, and in no case shall any deduction, change or offset of any nature whatsoever be claimed or allowed other than such as is specified and agreed upon by and between the principals at the time the trade is made.

Mr. YOUNG: What body is there to enforce these rules? Anybody there at all?

The CHAIRMAN: Oh yes, there is a most elaborate provision for grievances.

Mr. SOMMERVILLE: Arbitration.

Mr. FACTOR: Like the constitutions of fraternal societies, never enforced.

The CHAIRMAN: It is pretty elaborate.

*By Mr. Factor:*

Q. Why could not the farmer—or would it have paid him to have allowed the cattle to remain there until the next day?—A. The drover?

Q. The drover, yes?—A. Well, you know what that means, with hay at \$26 a ton.

*By the Chairman:*

Q. And hotel bills?—A. And hotel bills, with a lot of six cattle.

*By Mr. Senn:*

Q. May I ask this further question: Suppose the drover had made a complaint—

Mr. SOMMERVILLE: That is what I am coming to.

*By Mr. Sommerville:*

Q. Suppose, Mr. Jamieson, that this drover had not acceded to the demand of Swifts to take 3½ cents, what would have been his chances with the same Swift Company on the next load of cattle he brought in the following week?—A. It looks like as if it would be serious.

Q. In other words, he is dealing with these two packers from week to week?—A. His hands are tied.

Q. Absolutely, I thought so; that is the situation that he is placed in, is it not?—A. That is what we find with every drover and shipper, that he refrains from giving evidence for fear his head is cut off.

Q. Now that you have raised the question, as a matter of fact questionnaires were sent out?—A. Yes.

Q. To a large number of shippers and drovers?—A. Yes.

Q. Perhaps you will tell this committee what some of them said as to why they did not answer the questionnaire?—A. Well, the complaint was that we just don't want our names divulged. We are doing business every day, every week, with these men, and we don't want to get in their bad graces.

Q. And so they would refuse to answer the questions that were sent out?—A. Yes.

Q. In their own interests?—A. In fact, I had one who had them scrutinize his letter before he mailed it to me.

Q. That is the last word in care.

The CHAIRMAN: That is co-operation.

*By Mr. Kennedy (Winnipeg):*

Q. Do you believe that he thought possibly he could get a little extra price the next time?—A. Well, there might be a drink in it for him, or something.

*By Mr. Ilsley:*

Q. Mr. McLean said in his evidence that there was no business in Canada where there was as much competition, or more competition, than there is between the packers of Canada in purchasing live stock. What do you say to that?—A. Well, I do not think he would get a producer in the province of Ontario to agree with that.

Mr. FACTOR: This is the thing that puzzles me: Suppose you eliminate direct sale by the producer to the packer, if that system prevails at the stockyards how is the producer going to benefit?

Mr. SOMMERVILLE: The packer cannot get his supply anywhere but on the stockyards then.

Mr. FACTOR: That practice now, as Mr. Jamieson suggests, is the practice prevailing on the stockyards.

*By Mr. Sommerville:*

Q. Then he is more independent now because he has an available supply from elsewhere which is constantly increased?—A. As I pointed out at the outset, the packer lays back until he sees what is going to come to his plant that day by truck. The truck has more or less ruined the situation because they go direct, in some cases. The evidence that we got, or the report we got, is that the buyers of the packing plants lay back to see what there is.

*By Mr. Young:*

Q. Does the truck ever unload at the yard?—A. Oh, many of them do.

*By Mr. Sommerville:*

Q. On permission of the farmer?—A. Yes. A truck may be coming in a hundred miles; he is not making another trip, and he stays at the stockyards for two or three hours. In watching them sell on the stockyard—and I thought the bids were ridiculous—in several cases they got no competition and by three or four o'clock, he says, "I have got to take it or leave these cattle here at the cost of the farmer," and his orders are to dispose of the cattle.

*By Mr. Factor:*

Q. The point is this: Suppose all live stock were sold on the stockyards; you have already told us that with exception of the small butcher there are only Swifts and Canada Packers who are buyers; what is to prevent them from containing practices of that kind on the stockyard after you eliminate direct sales to packers?—A. They will come out in the morning, at least.

*By Mr. Sommerville:*

Q. Because they have to have their supplies?—A. Yes, and we know they want their supplies. If they have got 1,000 cattle by 10 o'clock, that means a good deal in what they are going to handle that day. They do not have to go out and bid.

Q. In other words, they have to keep their plants working and if they buy supplies as soon as the market opened, that would affect all the markets in Canada, and the whole price level in Canada?—A. That is what we think.

*By Mr. Young:*

Q. But would they buy the whole day's supply as soon as the market opens?—A. We would not say that they would buy all at once, they quite possibly would spread their buying. They would be there to bid, anyway.

Q. To make their bid, and with more cattle being there, there might be more competition?—A. You can understand that a producer, when he has gone on a competitive market such as this where they are all bidding, is satisfied that he is meeting good competition.

Q. At the present time he feels that he is not getting competition?—A. He feels that at the present time there is no competition.

*By Mr. Kennedy (Peace River):*

Q. Before Mr. Jamieson goes on from there, just a moment; I want to get this clear as to your point of view as to all stock going through the stockyard. I gathered from your answer to Mr. Edwards that you referred to stockyards at country centres, at points like Kitchener, for instance?—A. Our committee only considered the stockyards which at the present time practically control the market.

Q. That is, Toronto?—A. Toronto.



*By Mr. Sommerville:*

Q. Yes, you were taking into consideration all the packing plants that are on the stockyard?—A. Yes.

Q. And you were taking into consideration those places where there were packing plants at the stockyard?—A. Yes.

Q. And these are the places where they hold back because they have cattle coming in direct?—A. Yes.

Q. But the packing plant in Kitchener would not have that influence?—A. No.

Q. It is where the stockyard and the packing plant are side by side that they hold back from the market and affect the market across the road?—

A. The situation is that the packing plant at Kitchener gets on the telephone and buys stuff from the farmer, and they want this stuff so they give him a quarter of a cent more than he would get at Toronto, or any other place.

Q. But the basic price is settled on the competitive market of Toronto?—A. At Toronto, yes.

Q. And the extent of that price is dependent upon the amount of competition on that central market.

Mr. EDWARDS: That is clear, thank you.

*By Mr. Young:*

Q. Can you tell us all the cost that would attach to a carload of cattle going through a yard—on any car going right to the plant?—A. No, but I can give you here a couple of shipment statements. I can give you what the car costs, shipping 95 miles.

*By Mr. Sommerville:*

Q. That is just to the stockyards?—A. Or direct.

*By Mr. Young:*

Q. Never mind the freight, I want the charges going through the yard?—A. Yes, we have it here, I think.

The CHAIRMAN: We got this all officially yesterday, Mr. Young.

Mr. YOUNG: I want to compare them, as to the costs going through the plant.

Mr. SOMMERVILLE: We haven't this, of course, at the present time; but we will have before this committee the costs from both sources, because I am hoping to submit evidence to the committee indicating what is the out turn and the profit made by the packing plant on the cattle bought in the yard, on the cattle bought direct by truck, and on the cattle that are bought direct by car; so that you will have the relative portions of each, the relative cost of each and the relative profit of each.

*By Mr. Kennedy (Peace River):*

Q. Mr. Jamieson, supposing a farmer loads his hogs on a truck and there is a smash-up on the way to the city, what protection has the farmer?—A. Well, if he is carrying insurance—in a lot of cases he has none; there are a lot of cases where there is none.

*By Mr. Ilsley:*

Q. There is one question I want to ask. Did the complaints about these differentials that we were speaking of a while ago, that they are too great, or that they are all established on the wrong principle; there was a suggestion made when Mr. McLean was here giving his evidence, that when the price of

hogs was very low that these large fixed differentials subtracted from the price of the bacon hog, made the price of the lower grade hog so pitifully small, that it was altogether out of line. Do I make my meaning clear? Did you have any complaints about that?—A. The general feeling of the producer is that the spread is not quite sufficient in most cases. The producer finds the encouragement of the British market—our best market—that the dollar premium which he gets does not encourage him to grow select hogs. For instance, he will take a hog that is a good hog, and when hung on the hook will likely grade select. If he were to finish it, probably a month longer, then he would have a select. You have to have a good breed and good type.

*By Mr. Sommerville:*

Q. Longer finishing?—A. A little longer finishing, a slower type of hog to finish. You take cross-bred hogs, certain breeds, he will be a finished hog by the time that he is 150 pounds. He will be a finished hog and he will go to the butcher shop, and he will get a low price; there is not enough spread to encourage him to dingle for another month and possibly get half of his load select—or not that many.

Q. In other words, it costs more than a dollar to produce a select?—A. Yes.

Q. And he does not get more than a dollar for his selects, no matter what he does?—A. No, no matter what he does.

Q. He allows his butchers and bacons to run along on the markets, and he will make more money out of the sale of them than he will out of his selects?—A. Yes.

Q. And he would make more money if he could get his right price on his butchers, instead of having to take a dollar off the butchers?—A. Yes. That is where encouragement comes in. When they established grading and had them all graded on the stockyard, and you come to this—where we have an outlet for a select bacon he can demand a better price.

Q. And when he does not get enough money to produce selects, that discourages him?—A. Yes.

Q. And that affects the quantity that is available for the export market?—A. There is no guarantee at the moment that he is going to get a select price, don't you see; therefore he is not taking the same interest as he would if his hogs went to market and were graded on the stockyards; if his hogs were grading select he would put in an extra month if the spread was enough to pay him.

*By Mr. Kennedy (Peace River):*

Q. What premium should we have on selects, Mr. Jamieson?—A. I would not like to dictate. We used to have \$2 a hog.

*By Mr. Sommerville:*

Q. Up to 1928 you had \$2 a hog on selects over what you called them the thick smooth?—A. Yes.

Q. And the thick smooth was then the basic hog?—A. Yes.

Q. And that thick smooth hog is now divided up into two classes, the bacon hog and the butcher hog; these two classes constitute the old thick smooth?—A. Yes.

Q. And when they were together as one class, the farmers got a \$2 premium for their selects?—A. For their selects.

Q. Now that they are divided up, you get a dollar over the bacon?—A. Yes.

Q. And a dollar less on the butcher?—A. Yes.

Q. In other words, there is no gain?—A. Nothing to it.

Q. The dollar off the butchers off-sets the dollar on the selects?—A. Yes.

Q. And that is the fact since 1928?—A. I do not know whether it was then or not, I thought it was longer than that since the change.

Q. I thought it was about 1927 or 1928?—A. My view would be that at the present time, with the outlet we have for bacon, the spread should be \$2.

Q. Should be \$2 for selects?

The CHAIRMAN: The premium on selects?

The WITNESS: Over bacon.

*By Mr. Sommerville:*

Q. And that there ought to be a spread on the lower grades?—A. The general impression is that the bacon is going in on the hoof, and is going out as select in the same box.

Q. That is to say the general impression of the producer is that the bacon hog is producing the same kind of bacon as the select hog and is going forward to the British market and is bringing the same price in the British market as the select bacon?—A. In many cases.

Q. In many cases, and that he ought to get a larger price?—A. For instance, the grader grades them out, and after they are hanging on the hook it is quite evident to any one who has slaughtered hogs—who knows there is a in their appearance when they are hanging on the hook—there is a very close margin on the grading, but when they are on the hook they will all go as selects.

Q. Perhaps your familiarity with the hog situation might help me in this respect; Mr. McLean, when he was here, told us that 90 per cent of the hog production was for domestic use. When you kill your "butcher" and hang it on the rail do you think that there is any lower price taken for the butcher sold for fresh pork than for the bacon sold for fresh pork?—A. That is not our information.

Q. In other words, it is your opinion that the packer does not pass on to the market the dollar he takes off the butcher below the bacon?—A. That is our conception of it.

Q. And is it not a fact, from your knowledge of the hog industry, that a great deal of the supply of pork for the domestic market comes from lights and heavies?—A. Yes.

Q. On which there is as much as \$2 taken off?—A. Yes.

Mr. ILSLEY: Wasn't it more, \$2.75;

*By Mr. Sommerville:*

Q. I think it was \$2.50 and \$2.75 on some. And do these hogs not produce for domestic purposes fresh pork that is sold in the same way as the pork for select bacon?—A. The local butcher prefers a 150-pound hog.

Q. That is a light hog?—A. Yes.

Q. In other words, you take a loin of pork, whether it is from a bacon, a light or a heavy, it sells at the same price in the butcher shop?—A. We think so.

Q. But the producer has to pay for the difference because he is producing these various types?—A. We think so.

Q. And the packer takes anywhere from \$1 to \$1.50 per hog off him, but you think he does not pass that on to the consumer?—A. I doubt if he does.

Q. You think, therefore, if there was competition for these lights, heavies and butchers, independently, then these grades would come into their own prices?—A. They should.

Q. And bring their own value?—A. They should.

*By Mr. Ilsley:*

Q. Do you think that these discounts below the price for bacon hogs, that is the discounts for heavies, lights and so on, are too great; that the differential is too great?—A. You mean between them?



Q. As I understand it, the bacon is the basis, and the lower grades suffer?—A. I do not think so. I feel like encouraging the better hog. I do not think we should encourage a lesser spread, because the greater the spread the better are the prospects for a better type of hog.

Q. There was a suggestion here that when the price of bacon is very low, and the price of hogs is very low, that with a rigid differential—say of \$2 or \$2.50—for the poorer grades, the farmer gets comparatively little for the lights and heavies?—A. Yes, the hogs are low.

Q. And that with a differential that was not rigid, that was say on an ad valorem basis rather than on a fixed basis would be more just?—A. Well, I think you could hardly arrange a sliding scale. I think the hogs—really that is the unfortunate part of it, having the thick hog—I do not know that we could change that very much.

*By Mr. Sommerville:*

Q. Perhaps on a percentage basis, Mr. Ilsley has in mind, instead of a fixed basis; in other words, the differential should bear a relationship to the price that is received for the hog rather than to a definite fixed price, irrespective of what the producer is getting for his bacon hog?—A. Yes.

*By Mr. Kennedy (Peace River):*

Q. Referring again to this matter of hog selling either direct to the packers or to the stockyards; over the past period of years is there any trend in any particular direction?—A. That is, as to the yards and to the packers?

Q. Yes.—A. I rather think it is increasing to the packers.

Q. It is increasing to the packers. I have the information, I thought it would be of interest to the committee, but I want to get your view as to this. My information, take over the period of the last ten years—I was rather surprised to get this information—that the percentage of hogs in Canada shipped direct to the stockyards in 1923 was 42.4 per cent, and direct to the plants 57.6 per cent. Now, bringing it up to 1933, direct to the stockyard shows 41.2 per cent, and direct to the plants 58.8 per cent. The change in ten years is approximately 1.2 per cent. Would that be in accordance with your views?—A. Well, I have thought that there was more since the truck came into action.

MR. SOMMERVILLE: Mr. Edwards, are these figures for Toronto?

MR. EDWARDS: This is the evidence which was given before the Select Standing Committee on Agriculture.

MR. SENN: Mr. Pearsall gave that evidence.

*By Mr. Edwards:*

Q. This covers the percentage of hogs in Canada shipped direct, and it shows a difference of only about 1 per cent in the whole of the Dominion in ten years?—A. Yes. But it is just possible that Ontario, owing to improved roads, in the last ten years, has brought that up. It is also possible that a greater percentage is coming to the stockyards in western Canada. You might recall that ten years ago in many of the provinces practically all live stock was moving by rail. You will also know that a shipper might buy his load f.o.b. and sell it to a packing plant, and ship it direct, do you see; and there might have been just as much as that by carload lots in some of the provinces some years ago. But my impression is that in the province of Ontario the "direct" has increased very materially in the last five years; and the truck, as it takes it direct to the packing plant.

Mr. SOMMERVILLE: Thank you, Mr. Jamieson.

The WITNESS: Do you wish to keep this as an exhibit?

Mr. SOMMERVILLE: Yes, this is the complaints.

The WITNESS: Yes, and the report of the general committee.

The witness was discharged.

HOWARD FRALEIGH, M.L.A., called and sworn.

*By Mr. Sommerville:*

Q. Mr. Fraleigh, you are the member for East Lambton in the Ontario legislature?—A. Yes, sir.

Q. And you have taken an interest in the live stock situation in your riding the last few years, particularly because of the conditions which prevail?—A. Yes, sir.

Q. What do you say generally as to the condition of the farmer producing live stock?—A. Well, I was appointed chairman of the sub-committee for live stock, and asked to go into the details in regard to commission charges and stockyards; and before doing so I felt that it would be wise to get the views of the shippers from my districts, and I sent out a questionnaire. First I got the sales from the stockyards, and all those in my riding who had been in the habit of shipping at one time or another to the Toronto stockyard—and I got back, I think, about 75 or more questionnaires so that we could get them in shape; and I found that quite a lot hesitated in filling them out; they were afraid that they might get into trouble if their names were divulged.

Q. Get in trouble with whom?—A. With the commission men at the stockyards.

Q. Now I have this before me here, the questionnaire, and I have prepared a statement for Mr. Jamieson of the proceedings. If you would not mind reading that out, I think it would cover it pretty well.

Q. Would you not prefer to read it, Mr. Fraleigh?—A. No.

*By Mr. Kennedy: (Winnipeg):*

Q. Before you read it, Mr. Sommerville, may I ask Mr. Fraleigh about how many questionnaires you sent out and about how many, approximately, you got replies to?—A. I just fixed up 65. I think I got over 75. There is the questionnaire there.

Q. You said there was reluctance to fill them out; you sent out how many and got back how many?—A. I just don't remember, but I got an awful lot of letters back refusing to fill them out. They were pretty well all answered one way or the other.

*By Mr. Sommerville:*

Q. Then these other questionnaires—the answers were received by you in confidence?—A. Yes.

Q. That is as to the names of the persons?—A. Yes.

Q. You gave them the intimation you would hold the name in confidence?—A. Yes.

Q. Even where you gave that intimation, you found a number of people who were not willing to send it in?—A. To take my word for it, yes.

Q. For fear they might have trouble by making any complaint?—A. Yes.

Mr. SOMMERVILLE: I shall now read this statement:

Summarized Report of Proceedings of the Committee on Agriculture and Colonization of the Ontario Legislative Assembly.

### Meeting of March 7

The committee met at 10 a.m. with Mr. J. E. Jamieson, member for Southeast Simcoe, as Chairman.

Mr. Jamieson explained to the members that the purpose of the meeting was to hear complaints from members and receive criticism concerning all matters pertaining to the live stock industry so that, if thought advisable, suggestions and recommendations could be made to the Stevens' committee at Ottawa. Mr. Jamieson stated that he believed the Stevens' committee were prepared to deal with reasonable requests in this regard.

After some discussion, in order that this matter might be dealt with, Dr. H. J. Davis, member for East Elgin, moved and Mr. John A. Craig, member for North Lanark, seconded the following resolution: "That this committee on agriculture ask for a thorough investigation of the packers, stockyards, and commission firms and all conditions of live stock marketing in Ontario by the Stevens' committee of the federal government at its present session in Ottawa."

In the discussion of this resolution Mr. Jamieson, chairman, recalled that Mr. F. R. Oliver, member for South Grey, levelled certain definite criticisms in connection with live stock marketing in a speech made in the house and that these matters should be investigated before the committee. He further pointed out that there were certain general complaints common to shippers and farmers in his own riding, and as evidence read various letters to this effect.

Dr. H. J. Davis, member for East Elgin, suggested that there is a general impression that the practices in buying by packing houses made people suspicious that a combine existed. Generally speaking, shippers complained that the open stockyards did not provide active competitive buying such as was intended and is desired.

Mr. John A. Craig, member for North Lanark, gave the committee the benefit of his experience as a shipper for twenty-five years by stating that present charges in marketing stock were too high, particularly so when the value of stock at present day prices is considered and compared with values and expenses some years ago. In other words, values of stock had declined considerably but the charges in connection with the marketing had not declined at all; and if at all possible that charges in connection with marketing should be reduced in keeping with the reduced net return to the shippers and farmers. Mr. Craig further expressed the opinion that it is generally assumed that labour costs and other expenses to packing plants, stockyards and commission firms had probably decreased during the depression and that the benefit of these reduced expenditures had in no way been passed along to the producer or shipper.

The chairman, Mr. Jamieson, pointed out that he had in his possession evidence that the Toronto Stockyards Company had been able to pay 8 per cent on invested capital until the end of June, 1932, after which they had been paying 6 per cent, or  $1\frac{1}{2}$  per cent quarterly on this capital; and, as expressed to him by a stockholder, such investment was preferable to farm mortgages.

Mr. J. D. Taylor, member for North Grey, expressed the opinion that the situation in connection with live stock marketing was serious and needed investigating. He further stated that while it was generally



believed that certain abuses existed, it would be difficult to obtain definite information because shippers believed that, by coming before a committee such as this to give evidence, they might be penalized in trading on the stockyards if present conditions continued to exist. He further expressed the opinion that if this matter were to be thoroughly investigated and results forthcoming, the evidence could be produced. General complaint was centred around the lack of competitive buying and the importance of truck deliveries direct to packing plants in creating a condition which permitted of packer buyers using stockyards to set prices when they were in a position to wait, and sometimes force down the price through having large quantities of stock on hand through direct purchases.

The chairman, Mr. Jamieson, pointed out that if the motion before the committee were passed, the members of the committee should undertake to gather information and evidence which could be submitted to the Stevens' committee to justify the asking of the investigation.

The motion was therefore put and unanimously carried, and the committee adjourned to meet again on March 15 at 10 a.m.

### Meeting of March 15

The committee met at 10 a.m. with Mr. J. E. Jamieson, member for Southeast Simcoe, as chairman.

Mr. Jamieson, in opening the meeting, stated that the purpose was to hear evidence, as collected by the members of the committee, in regard to the whole scheme of live stock marketing in the province of Ontario.

Mr. Jamieson advised the members that, in fairness to the commission firms and the Toronto Stockyards Company, on behalf of the committee an invitation has been extended to each of these organizations to send a representative, if they so desired, to appear at this meeting of the committee to present any facts concerning their end of the business that they might wish. He reported that neither organization had seen fit to send representatives, and therefore the meeting was open to the members to present what evidence they had been able to collect since the last meeting on March 7.

Mr. Jamieson produced letters of complaint from the following shippers:—

*By Mr. Sommerville:*

Q. And then follows a list of nine or ten shippers whose letters of complaint were handed in?—A. Yes.

Mr. SOMMERVILLE (Reading):—

He also submitted statements of sample shipments, one on behalf—a man from Collingwood, whose name is here, and one from another man from Collingwood.

These statements indicate the charges deducted and the net proceeds of sale.

The original letters are attached hereto for the use of the Stevens' committee.

Mr. Howard Fraleigh, member for East Lambton, advised the committee that he had asked the co-operation of the shippers of East Lambton in the answering of a questionnaire, so that a summary of their views might be placed before this committee. He further explained that in order that shippers might feel free to reply to his questionnaire, he had

made the promise that any statement made by them would not be used without their permission. Notwithstanding this undertaking, some shippers had returned the questionnaire unanswered, stating that they felt they could not feel free to give this information as it might jeopardize their position in selling live stock on the Toronto yards.

However, a copy of the questionnaire is attached hereto and a summary of the answers to some sixty-five completed questionnaires received to date revealed the following conditions:—

Are the stockyard charges for the following too high:—

1. Yardage—Answers, Yes 38, No 8.
2. Hay and feed—Answers, Yes 59, No 0.
3. Services rendered in unloading, loading, etc.—Answers, Yes 24, No 17.

Are the commission charges for buying and selling stock on the stockyards too high?—Answers, Yes 60, No 0.

Is the service rendered by the commission firms generally satisfactory to the producers and shippers?—Answers, Yes 42, No. 11.

Do these charges tend more largely than stockyard charges to increase direct marketings to the packers rather than to the stockyards?—Answers, Yes 30, No 9.

Are the present transportation services of the railways in live stock satisfactory to shippers of live stock?—Answers, Yes 22, No 26.

Are trucks supplying a more satisfactory service than the railways?—Answers, Yes 20, No 16.

A general discussion followed the presentation of this evidence in which Mr. Clifford Case, member for North York, brought to the attention of the members that considerably over one-half of the total live stock business on the Toronto stockyards was handled by three commission firms, and the balance of the business was divided among the six remaining commission firms. The view was expressed that there are sufficient firms operating on the Toronto stockyards to handle a much larger volume of stock than at present is coming forward, and that probably an increase in volume of stock would not cause any very considerable increase in expenses to the commission firms already existing.

Mr. A. H. Acres, member for Carleton, in giving his experience as a shipper, advised that in his opinion truck deliveries of live stock direct to the packing plants were on the increase, and as a result these direct purchases were tending to depress prices on the Toronto stockyards through lack of an active competitive market; and that if all stock delivered by truck were sold through a commission firm on the open market, conditions on that market would be considerably improved. He further expressed the view that all stock to be sold on the open market, where arriving by truck or otherwise, should be delivered by 8 a.m. if such stock was to be sold on the day of delivery. If such a condition existed, Mr. Acres believed that when the market opened at 9 o'clock buyers would know the amount of stock to be sold that day, and buying would commence at 9 o'clock; but with present conditions existing, buyers hesitated to begin bidding on the opening of the market and waited the arrival of trucks to ten and eleven o'clock, to see what deliveries were being made before they would do much buying.

Mr. Acres further expressed the view that commission charges on the Toronto stockyards should be the same as those prevailing in Montreal, since these two markets drew stock from the same territory.

Mr. Acres, therefore, moved and it was seconded by Mr. J. A. Sangster, member for Glengarry, That this committee recommend that the commission charges on the Toronto stockyards be reduced and placed on the same basis as the commission charges on the Montreal stockyards.

Mr. Case, member for North York, expressed the view that in keeping with the evidence before the committee that this committee should recommend that the commission charges on the Toronto stockyards be reduced by 20 per cent, and that such recommendation be forwarded to the Stevens' committee. He further expressed the view that, notwithstanding the reductions already made in the commission charges at Montreal, these charges should be further reduced.

Mr. Case, therefore, moved an amendment to Mr. Acres' motion, which was seconded by Mr. H. J. Davis, member for East Elgin, as follows: That this committee recommend to the Stevens' committee that the commission charges on the Toronto stockyards should be reduced 20 per cent all round.

The Chairman, Mr. Jamieson, on putting the amendment declared the amendment carried by a vote of thirteen to three.

Q. This is a report of the recommendations of this committee?—A. Yes.

Q. I see the first matter dealt with is the lack of competitive buying on the Toronto market?—A. Yes.

Q. Perhaps you would just develop that for the committee; what do you mean by that? Are you a livestock man yourself?—A. No. I have not had experience of shipping. I am just a farmer, and I do no shipping of livestock; so therefore I am fairly ignorant along that line and wish not to express my opinion.

Q. On the question of competitive buying?—A. On conditions there at the stockyards.

Q. I suppose Mr. Craig, who is with you on this delegation from Ontario, will be able to do that?—A. He has had 25 years of it, and I think he can do that much better than I can.

Q. And he will deal with that phase of it?—A. Yes.

Mr. FACTOR: Have the questionnaires been filed?

The WITNESS: These are personal. However, I will leave them in your hands.

Mr. SENN: Is there a blank copy?

*By Mr. Sommerville:*

Q. Yes, you have a copy of the questionnaire, and we have the number of answers; if they are given to you in confidence, I think you had better keep them.—A. There are 75; that is 65. I have got over 75 now.

Q. That is the completed list of answers?—A. No; there will be some more.

Q. Will you complete that list for the committee and let me have it?—A. Yes.

Q. Thank you.

J. A. CRAIG, Called and Sworn.

*By Mr. Sommerville:*

Q. You are Mr. J. A. Craig?—A. Yes.

Q. And you are a member of the legislature of Ontario for the county of Lanark?—A. Yes.

Q. And you have been engaged in the cattle industry, or livestock industry, for a great many years?—A. Yes.



Q. And have been shipping, I understand, to the Toronto market regularly for twenty-five years?—A. Well, I have shipped to Montreal and Toronto.

Q. Montreal and Toronto?—A. Yes, for 25 years or more.

Q. And you are therefore familiar with the conditions now existing on the Toronto and Montreal markets?—A. I am sorry to say I am, very familiar with them, yes.

*By Mr. Senn:*

Q. Both hogs and cattle?—A. No, I wish to state that I do not ship any hogs.

Q. Just cattle?—A. Yes, just cattle, lambs, calves.

*By Mr. Sommerville:*

Q. And calves?—A. Yes.

Q. Cattle, lambs and calves?—A. Yes.

Q. Then you were a member of the special committee of the Ontario legislature dealing with the livestock situation?—A. Yes.

Q. And on that committee you gave certain information. Will you be good enough just to develop that part of the report that has been filed on the want of competitive buying on the Toronto market? What do you mean by that?—A. Well, there are several reasons. I think the biggest reason is the truck coming into being.

Q. The biggest reason is the truck coming into being?—A. Yes, coming into being; and shipping cattle—I think we have got the percentage of that here somewhere—direct to the packing plants.

Q. The trucks ship cattle direct to the packing plants?—A. Yes, that is one of the reasons.

Q. That is one of the reasons for the want of competitive buying on the Toronto market?—A. Yes; that is, in my judgment. When cattle were all shipped to the stockyards by rail, they were all in the stockyards we will say—I am talking of Monday's market, to make it clear—they were all in, or almost all in the stockyards on Sunday, fed, watered and ready to be sold when the market opened at 9 o'clock Monday morning. But at the present, there are cattle coming to the market all day, truck cattle coming in at 4 or almost 4 o'clock in the evening to be sold that day, with the result that the buyers are not sure how many cattle are going to come in from the sellers, are not sure how many cattle are going to come in that day.

Q. And does that have the effect of holding off buying, to some extent?—A. Well, we think it does. No doubt it does.

*By Mr. Kennedy (Winnipeg):*

Q. That might work in favour of the seller, might it not?—A. Why?

Q. Well, if they were all there the night before, the buyers would know at nine o'clock the quantity; whereas if they are coming in during the course of the day, there might not be nearly as many there in the morning?—A. Yes, there is always enough there, as a rule, to start the butchers, we will call them, killing their cattle. That is what we want. With the cattle all on the market, we know there are no cattle there ready to be killed. Therefore the buyers go on the market and buy to start killing.

Q. The second suggestion was that the thing that interferes with competitive buying is that of delivery by truck on the market during the day having a tendency to delay buying?—A. Well, I would not say on the market, because they are delivering on the market and direct to the packing plants; and they are both, I consider, the cause of not so much competition in buying cattle.

Q. The truck delivers to the packing plant or to the stockyards during the day?—A. Yes.

Q. They both contribute to the want of competitive buying on the market?  
—A. Well, that is my opinion.

Q. Now, you say you have been shipping for some 25 years?—A. Yes.

Q. Now, what is the effect of the shipment of cattle to the stockyards—that is to the packing plant, as against shipments to the stockyards; what is the effect upon the stockyards?—A. Well, it naturally reduces the volume of business in the stockyards.

Q. And has that volume been largely reduced in the last ten years?—A. I would say yes.

Q. And has therefore the amount of competition been reduced very substantially?—A. Yes, it certainly has; of course, there are more reasons than one for the lack of competition; supply and demand rule prices—and I think the packing houses have kept pretty well together, and competition is not so keen.

Q. The packing houses keep pretty well together; well, there has been a merger of packing houses?—A. Yes.

Q. A few years ago you had five packers at Toronto, and now you have one instead of five?—A. Yes.

Q. And then you have Swift's as the other large packer?—A. Yes.

Q. And you think there being a reduction in the number of packing plants, there is a reduction in competition?—A. Naturally.

Q. And then you say, they keep together; what do you mean by that?  
—A. Well I think that in the evidence given by Mr. Jamieson here you have a pretty clear demonstration of that.

Q. That it is easier for them to get together and discuss prices and conditions on the market when there are but two than it was when there were five packers?—A. Yes.

Q. What has been your knowledge, or your experience with respect to this "getting together"?—A. As has been pointed out here already, you very seldom get, especially this last year or two, any particular or very little opposition in bids on your load of cattle. If you get a bid on a load of cattle from one packer you pretty nearly know that the other packer's bid will be pretty close to this.

*By Mr. Factor:*

Q. There are only two packers to bid on the purchase?—A. Yes.

Q. You cannot get competition if there are only two packers?—A. Why not, will not one bid against the other?

*By Mr. Sommerville:*

Q. You say when you get a bid your experience is you know that this is the price you are going to get?—A. Usually, yes.

Q. And you cannot get competition in bidding without a formal bid?—A. No.

Q. Is there anything else that you can give to help this committee in the matter of evidence that there is some of the "getting together" which you referred to?—A. No, I have no evidence; just from doing business there it looks that way, but I have no proof of that; none whatever.

Q. How often do you go to the market?—A. Well, I go once a week from, say, July to Christmas, ship from 1, to 5 or 6 loads of cattle.

Q. From July to Christmas?—A. Yes, about that.

Q. And these observations are based on your experience in that connection?  
—A. Yes.

Q. Well, thank you, Mr. Craig.

*By Mr. Ilsley:*

Q. Just a minute, you did not say anything about conditions on the Montreal market of which you have had similar experience?—A. I have not been shipping cattle to Montreal for some years, I did ship there from 1905 till 1913 steady, but since that I have shipped very little stock to Montreal.

Mr. SOMMERVILLE: I understood he was not operating on the Montreal market.

*By Mr. Edwards:*

Q. Are hogs bought on grade on the Montreal market?—A. I told you I could not tell you that. I do not ship hogs, but I understand they are not; but I will not say that I am right.

The CHAIRMAN: Thank you, Mr. Craig.

The witness was discharged.

The Committee adjourned at 12.45 p.m., to meet again this day at 3.30 p.m.

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#### AFTERNOON SITTING

The Committee resumed at 3.30 p.m.

The Committee received from the Department of Agriculture Exhibit No. 67, being a report showing the origin and quality of commercial live stock marketed in Canada in 1926; together with a copy of the "Thirteenth Annual Market Review."

The CHAIRMAN: Order, gentlemen. We have here this afternoon Mr. MacLeay, of Alberta, a rancher who has kindly consented to give the Committee the benefit of a few observations. If Mr. MacLeay would be good enough to come forward.

Mr. RODERICK MACLEAY, called and sworn.

*By Mr. Sommerville:*

Q. Mr. MacLeay, you are a rancher?—A. Yes.

Q. And where is your home?—A. I live on one of my ranches southwest of High River, Alberta.

Q. And you have been ranching for how long?—A. Thirty-five years.

Q. In Western Canada?—A. In Western Canada.

Q. In Alberta?—A. In Alberta.

Q. And you are still engaged in the ranching business?—A. I am.

Q. At the present time how many head of cattle have you, approximately, on your ranches?—A. About 7,000 head.

Q. And what is the area over which you have your various ranches, approximately?—A. I have four ranches, and they cover an area of approximately 200,000 acres.

Q. And what is the annual production of your ranch, say last year?—A. Cattle.

Q. How many did you sell?—A. I sold something over 1,400 head.

Q. Will you tell the Committee as to the conditions of the cattle industry in your neighbourhood; as to prices, competition and the general condition



that prevails. Out of your experience of thirty-five years you could perhaps tell the Committee the situation as you find it?—A. My experience the last year, Mr. Sommerville?

Q. The last two years, if you will?—A. I think if I were to confine myself to last year's cattle I could probably give you a picture.

Q. All right, Mr. MacLeay.—A. Last year, in the fall of 1932, I put in about 600 head of cattle in the feeding pens to feed—that would be along in the month of December.

Q. December of 1932?—A. December of 1932.

Q. You put 600 head of cattle into your feed pens to feed and fatten?—A. Yes.

Q. Yes?—A. These cattle would be what we call "fit to ship"; they would be what you might call cattle which if they were graded by the government would grade red and blue, the best product that it is possible to produce in the west country. When I had these cattle for sale, why there did not seem to be very much of an outlet here for these cattle, and I undertook to export them.

Q. You say there was not much of an outlet; what price could you get for them at the time you put them into the feed lot?—A. In fact I never had an offer—I could not sell any of these cattle at all.

Q. So that, not being able to find a market for them you put 500 head of them into the feed lots to fatten?—A. No, that was the finished product, after they were finished.

Q. When was that?—A. That would be in April of 1933.

Q. So that the 600 head that you put into the feed lot you had finished by April of 1933; they were fattened then?—A. Yes.

Q. And at that time you say you could not get any price for them in Canada?—A. Well, I could not interest anybody in Canada to look at my cattle. We had a lot of cattle on feed throughout Alberta that year, and feed was short.

Q. What was the going price on the markets at that time for the best finished cattle in Alberta?—A. At that time, in March and April, it was from 3½ cents to 4 cents a pound.

Q. For finished cattle?—A. Yes.

Q. And did it pay you to feed and finish them?—A. No, it was certainly a losing proposition.

Q. Perhaps you will give the committee the benefit of your experience in feeding and finishing this particular lot of cattle—you put them in the feed lot in December?—A. We put them in—the cattle; it usually takes from 120 days on to make cattle that are what we call "good kills"; it takes as you know a lot of grain to feed these cattle, and the amount of attention they have to have in looking after them—it is an expert's work successfully to feed a bunch of steers.

Q. Yes, and as a result of the cost of the feed and the labour that you put into feeding them from December to April, could you get the cost of that feed and labour out of that when it came to marketing?—A. Not at the price the cattle were worth when they went into the feed yard.

*By Mr. Kennedy (Peace River):*

Q. What were they worth when they went in?—A. They were worth approximately 3 to 3¼ cents a pound.

Q. That is, when you put them in?—A. Yes.

*By Mr. Sommerville:*

Q. And when you had them finally finished they were worth?—A. Three and a half to four and a quarter cents a pound.

Q. And you could not interest anyone in Canada you say in cattle, even at that price?—A. No.

Q. Then what did you do?—A. Well, I engaged space and exported these cattle.

Q. You exported them?—A. Yes.

Q. To?—A. These went to Birkenhead.

Q. And you found an outlet for them there on the British market?—A. Yes.

Q. What did they return to you?—A. I just could not tell you in exact figures, as near as I can remember about \$4.35.

Q. Net?—A. Net.

Q. Back to you?—A. Yes.

Q. And you say they were the finest kind of product?—A. Yes, they were considered to be good cattle.

Q. What weight would they be?—A. When they were exported they would weigh about 1,200 pounds.

Q. And in good condition?—A. Yes.

Q. Well then, perhaps you will give the committee your experience with reference to how that market was opened to you, and what situation developed; how were you able to take advantage of the export market?—A. Well, that particular market has been developed purely by the ranchers in the western country themselves, owing to lack of an outlet for our cattle that we have been growing in the west, we have been forced to do something with these cattle in order to get some returns for our work; and gradually through a good many years that market has been developed, mostly by the western ranchers seeking an outlet for their surplus product.

Q. And then was there any difficulty about getting space?—A. No, I had no trouble getting space.

Q. How was the space provided; has there always been an abundance of space available?—A. There has not always been an abundance of space available. In the year 1932 we were very short of space.

Q. Then what happened?—A. In 1932, through the efforts of the Hon. Mr. Stevens in fitting up additional boats, a lot more space was made available to the producers in Canada. I understand that the Hon. Mr. Stevens has fitted up nine boats in the year 1933, and it made a lot of extra space for us.

Q. How did the exchange situation work out?—A. Well, the exchange situation was greatly in our favour in 1933, compared with 1932?

Q. How was that?—A. Well, in selling my cattle—I have been exporting for a good many years as a matter of fact—in 1932 I sold my exchange that I received, proceeds from the sale of my cattle, I got \$3.67 for my sterling.

Q. For sterling?—A. Yes, through the efforts of our government here; through the efforts of the Hon. R. B. Bennett and the government—they stabilized the pound last year at \$4.60 and that made a great difference to the exporters of cattle at that time.

Q. It enabled you to get back a figure that you could not get before?—A. I got back in 1932, \$3.57; as against \$4.60 last year.

Q. And that gave you back a better return on your cattle?—A. Yes.

Q. And that return amounted to \$4.35 net back to Alberta.—A. Yes.

Q. Now perhaps you will give the committee the benefit of your knowledge of the cattle industry and its place in the life of Canada. You had some very interesting figures which you showed me the other day?—A. Do you want me to read that?

Q. You had some to show to me, and they were very interesting figures, as to the position of the live stock industry?—A. Well, I came down to Ottawa to see if I could put before some of the people down here some views of what could be done that might assist the cattle industry in our country, throughout the whole of Canada, in fact; and if you wish me to read this, I will.

Q. I am sure it would be interesting to have the benefit of your 25 years of ranching experience presented to this committee, particularly as it relates to live stock?—A. The range cattle industry of Canada represents—it is one of the major agricultural industries in the Dominion of Canada. For a good many years Canada has been concentrating on wheat, thinking that wheat constitutes our main export product, and that the wealth of Canada was derived from wheat. Well now I have some figures which I have compiled here that I would like to show you.

Low farm prices, and particularly low cattle prices still constitute the greatest living problem of practically fifty per cent of Canada's population. It must be admitted that until the revenue of the primary producer is increased, no permanent recovery is possible. Last year we were able to demonstrate the importance to Canada of the annual revenue from cattle as compared with that from wheat. The following statement shows the comparison for 1932: the year 1932 figures are used because the 1933 statistics are incomplete.

In 1932—Canada's revenue from cattle amounted to.. . . .	\$205,778,795
In 1932—Canada's revenue from wheat amounted to.. . . .	129,105,000
Cattle:	
1,276,665 head sold, average price \$34.40.. . . .	43,789,610
(Inspected sales, plus local country kill)	
Calves sold.. . . .	2,915,052
Dairy products, mills, cream, butter cheese..	159,074,133
Wheat:	
428,514,000 bushels, average price 30 cents.. . . .	\$129,105,000
	<hr/>
	\$129,105,000    \$205,778,795

*By Mr. Factor:*

Q. That total shows the aggregate?—A. The total revenue from the cattle.

*By the Chairman:*

Q. You include dairying in that, do you?—A. Yes, sir, dairying is included in that.

The decision of the Prime Minister a year ago to meet the loss on exchange, which later rectified itself, together with the action of the Hon. Mr. Stevens in fitting up 9 cattle boats led to a strong export movement. It is now clear that without this assistance our cattle markets would have been entirely demoralized.

Despite this assistance, however, other causes have contributed to decrease the price of cattle by 33 per cent.

*By Mr. Sommerville:*

Q. 33 per cent less?—A. Yes. On the other hand, other farm prices have improved as follows:

Hog Prices (Calgary) Jan. 15, 1933.. . . .	\$2.75 per cwt.
Jan. 15, 1934.. . . .	8.75 per cwt.
Wheat Prices (Cayley) Jan. 1, 1933.. . . .	.30 per bushel
Jan. 1, 1934.. . . .	.50 per bushel

Horses have more than doubled in value in the year.

Q. That is, wheat and hogs and horses have all increased, while cattle have decreased?—A. Cattle have decreased for the year 1933. In a national crisis, the government adopted the policy with respect to wheat marketing which has resulted in an increase in prices as shown. The cattle industry yields a revenue to Canada two times that of wheat, and affects a much greater number of people, and is now in greater need.



Having regard to production cost, the national crisis in the cattle industry is now greater than it has ever been in the case of wheat, particularly when it is borne in mind that it takes four years to produce a two-year old steer and one year only to produce a hundredweight of wheat, or six months to produce a hog.

Q. Just let me get that; four years to produce a two-year old steer—what do you mean by that?—A. We breed the cows this year in 1934; that cow will have a calf the following year, in 1935; it will be a yearling in 1936, and a two-year old in 1937; making four years.

Q. From now?—A. From now.

*By Mr. Young:*

Q. Count that again?—A. We breed a cow this year.

Q. In 1934?—A. Yes. That cow next year will have a calf.

Q. That is one year?—A. In the history of the ranching business that is two years.

*By Mr. Sommerville:*

Q. Each stage a year; this is one year, 1934 is one year; and 1935 is one year?—A. It becomes a yearling in three-years' time.

Q. In the 1936 ranching year?—A. Yes.

*By Mr. Young:*

Q. Let us take a date.

The CHAIRMAN: Mr. Young, what he means there is four financial years' operations are involved in the production of a two-year old steer.

The WITNESS: Four years from the time of breeding to produce a two-year old steer.

Mr. KENNEDY (*Peace River*): He is right enough about the time for raising a two-year old.

*By Mr. Sommerville:*

Q. The two-year old has to be put into condition for market, and by the time he is in condition for marketing, that is the fifth year?—A. Yes.

Q. That means then if the farmer is discouraged and driven out of the cattle business, that it takes him three or four years to get back into the cattle business?—A. Yes.

Q. But if he is discouraged in the hog business, he can get back within six months?—A. In one year's time a man can get into the hog industry in just as big shape as he ever did before.

Q. That is a matter of only one year.—A. One year.

Q. But with reference to the cattle industry, it is an operation of several years?—A. Yes.

Q. And if he is discouraged and has gone out of the cattle industry, it takes him quite a time to get back in again producing beef steers?—A. More especially when you take into consideration the breeding of good cattle, the kind of cattle that they require in the old country. If I should sell my herd of cattle to-day, cattle that it has taken me 35 years to breed up to the standard which they are to-day—I have not another lifetime to spend in breeding these cattle up, and to go out on the open market or the stockyard, or any other place—wherever you go to pick up cattle—to start in with a half-bred cow and to breed up to the standard that they require and which we must have to ship to the Old Country if we are to maintain the outlet there for our good cattle—it is a long hard task to grow these cattle.

Q. The point of your evidence being that if the cattle industry is not assisted, there is danger of persons passing out of the industry, and of it being a long time before it gets back on its feet?—A. The standard of our cattle would be lowered, because it takes a long time to breed good cattle.

Q. Thank you, Mr. MacLeay; will you continue?—A. It is imperative that the government undertake a national cattle marketing policy immediately. Recommendations are outlined in the attached memorandum.

There are, therefore, two ways only of ensuring a healthy home market: curtail our production to within what we consume; develop an export outlet which will effectively lift the surplus off our home market at a reasonable cost, and at an adequate price.

*By Mr. Ilsley:*

Q. Is that the memorandum? There is a memorandum in addition to what you have read, is that the memorandum?—A. I will give you that in just a minute.

The United States is deliberately working out a plan of curtailed production. If the government so decides, Canada can follow the same course. On the other hand, given the proper kind of export outlet and reasonable marketing costs, cattle production will expand; cattle revenues will increase, and the balance of trade will improve. The growing of fodder and coarse grains will be encouraged on millions of acres, both of marginal land and land now devoted to the growing of wheat. Wheat acreage will thus be reduced on a thoroughly practical and logical basis, and the government's problem in this regard can thus largely be solved. Any obstacle, however, now or later, to this free export outlet will utterly destroy the advantages of the plan that we now propose. The main thing for us is to maintain an outlet for our surplus cattle, which are not a very considerable number.

Proposed British quota against Canadian cattle. Make representations in the strongest possible terms against the imposition of any quota. It is understood that this matter will again come up for discussion in June. If the quota is inevitable, argue Canada's case for an increasing supply from this country as against foreign competition. Consider the following:

Britain imports annually from S. America (chilled or frozen) .	1,305,658
“ “ “ “ Australia (chilled or frozen) . .	207,142
“ “ “ “ N. Zealand (chilled or frozen) .	92,937
“ “ “ “ Irish Free State (alive) . . . . .	582,174
“ “ “ “ Canada . . . . .	51,433

Total (alive and dead) . . . . .	2,239,344
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Q. What was the amount you gave for Canada?—A. The amount for Canada was 51,433 head.

Q. That was our export last year?—A. That was our export.

Q. As against the Irish Free State “alive” 582,174?—A. 582,174.

*By Mr. Factor:*

Q. Have you the figures for 1932?—A. 1932—no.

The CHAIRMAN: Our exports were about 16,000.

The WITNESS: We exported 17,000? That was in 1927. In the year 1931 we exported 27,000 head; in 1932, 17,000 head; in 1933, 53,000—if I am not mistaken, I have it here—51,000 head are the actual figures that entered Great Britain, 51,433; although we did export some in December that had not been received for that year.

The CHAIRMAN: 53,000 I think is the total.

Mr. SOMMERVILLE: That is right too.

The WITNESS: Present imports from Canada amount to only 2·3 per cent of the total British importations. If necessary to obtain favourable consideration, increase the preference on British goods.

*By Mr. Sommerville:*

Q. That is, you would urge that if it is necessary to maintain a quota, you would increase the preference on British goods if you could get an outlet for Canadian cattle?—A. Yes. I think that this industry is of such a magnitude and of such importance to the Dominion of Canada that there is nothing that we could afford not to do.

*By Mr. Kennedy (Winnipeg):*

Q. Would it be fair to state that if such an outlet is assured it would make all the difference between a good price and a bad one?—A. If we had not had an outlet for cattle this past year our cattle would have been unsold in Western Canada.

Q. Have you been able to compute what it has meant to Canada?—A. In dollars? I have never tried to do that.

Q. Would it be very substantial?—A. I would not like to hazard a guess on a thing like that, but it would have demoralized our market if we had not had this export outlet for 53,000 head of cattle. We would simply have had no market at all; the cattle would have been all on our hands and we would not have been able to sell them.

Q. But from your experience you would say that it was of very great importance to Canada?—A. The export situation saved the cattle situation last year. If it had not been for that—we went broke anyway—it saved us from holding cattle over and feeding them through last year. The ranch's overhead is heavy where they have to feed so many cattle and with a feed shortage on the range and a shortage of grass, if we had not been able to dispose of these cattle, it would have been a very very serious situation.

Q. But you consider the provisions that provide for a quota for the export of Canadian cattle under the Ottawa agreement of great importance to Canada?—A. Not a quota, an unrestricted outlet.

*By Mr. Hsley:*

Q. With reference to a quota, you would consider that of importance?—A. I would not think we should have a quota at all.

*By Mr. Sommerville:*

Q. There is a quota at the present time, nevertheless, and a request has been made at the present time for us not to ship more for the first six months of this year than we shipped during the first six months of last year; that is what you are referring to, the necessity of maintaining an open market?—A. An unrestricted outlet for our cattle.

*By Mr. Factor:*

Q. What about other countries in the world, outside of Britain?—A. Outside of Britain—I am not worrying about South America; it is up to South America to fight their own cause—we are looking after Canada.

Q. No, no; I mean exploring the market, say in Russia?—A. That would be—anything to help take the cattle from our market here and relieve the congestion that is here at the present time.



*By Mr. Senn:*

Q. Have you ever studied the possibility of taking the poorer classes of cattle that are selling to-day at a cent or a cent and a quarter a pound—the canners and cutters—disposing of them in some other way than as for food?—A. No, sir, other than food I have never thought of anything.

Q. It is quite freely suggested in live stock in Eastern Canada, at least, that a number of such cattle can be disposed of in a fertilizer?—A. There was a considerable number of the cheaper classes of cattle last year used by the fox farmers out there.

Q. Well, that is another outlet?—A. How many I could not say, but they were buying cattle in the Calgary stockyards for their foxes.

Q. You have never seriously considered that proposition?—A. I have no cattle of that quality.

Q. You will admit that they are marketed on the stockyards in Eastern Canada at least?—A. Well, during last fall they bought a certain number—how many I could not say.

*By Mr. Factor:*

Q. The problem then is to get markets for our cattle?—A. Yes.

*By Mr. Sommerville:*

Q. Yes, Mr. MacLeay, will you proceed?—A. To help off-set any antagonism on the part of British feeders or breeders, let the Dominion Government take immediate steps to purchase, say, 150 high class, pure bred bulls in Britain. Our government actually purchased a total of 348 bulls in Canada in 1933, at a total cost of \$42,108. A part of this money spent this year in Britain would do more than any other kind of argument to influence the British people in our favour against placing any quota upon Canadian cattle imports.

Q. You would make an exchange with the British farmer to buy pure bred bulls from him and then to supply feeders and cattle to the British market?—A. If they are taking our cattle it would seem to me only fair and just. These bulls are restricted. The outlet for British bulls is to the Argentine where they usually sell most of their bulls. If we could go and buy a certain percentage of bulls it would certainly be appreciated in that country.

*By Mr. Senn:*

Q. Are you a pure bred cattle breeder?—A. No sir.

Q. You were talking very much as if you were. I am afraid the live stock breeders in Canada would not agree with you in that?—A. We get a few of these good bulls, possibly donated by the Department of Agriculture at the present time. They give these bulls away.

Q. Are you suggesting that we do not get good bulls as it is in Canada?—A. You breed a lot of good bulls in Canada, especially in western Canada. I do not know so much about eastern Canada, because I am not familiar with it; but I do know that in western Canada we do get wonderful herds of pure bred cattle.

Q. Does it not seem hard to pass over these people who breed good bulls in our own country?—A. Why should our Dominion government. If they are bonusing pure bred breeders it would almost seem to me they would be justified in bonusing—

Q. I do not think it is fair to say they are bonusing pure bred breeders; they are buying these bulls for distribution and improving the quality of the farmer's stock?—A. To this extent that the government with unlimited means at their disposal go onto the market in direct competition with myself and other ranchers in regard to bulls. If we want to buy we are forced to step

up to a certain price because we have not unlimited means to buy these bulls, and the government buys bulls and takes them away from the ranchers who have those good cattle where those good bulls ought to go. They take those out into dairy areas where there are cheap cattle to improve the cheap cattle. A cross from a good bull and a poor cow is nothing but a poor animal at best.

Q. I think the average price you quoted a moment ago for the animals that were bought in this way by the Department of Agriculture only amounted to a little over \$100 each, didn't it? Is that an exorbitant price to pay?—A. 348 bulls for \$42,108.

Q. That might be about \$125. It does not look to me that that is an unreasonable price to ask anybody to compete with?—A. Irrespective of whether they buy 348 or not, I would certainly ask the government as long as the people in Britain are taking our cattle to go over there and buy more bulls—whether they cut this quota down or buy additional bulls.

*By Mr. Sommerville:*

Q. This is a further argument you are using with the British market for maintaining the open market in Great Britain?—A. Yes. I did not advise the government to stop buying bulls in the country or assisting the pure bred breeders. I didn't make that statement.

Q. No. You suggested that when they were buying from Canada it would be desirable also to buy in England?—A. A certain percentage of bulls in Great Britain.

Q. And that was to help the rancher and the cattle industry in Canada?—A. Yes, create a better feeling among the breeders in the old country towards Canadian cattle. I am now comparing some freight rates, and I am taking as a basis wheat against cattle:—

Take immediate steps to decrease transportation costs. This is imperative for the following reasons: Railway freight rates are too high. An export rate must be granted as in the case of wheat and processed meats.

Note the following:—

Wheat—

Domestic Rate:	Calgary to Vancouver.. . . .	41 $\frac{1}{4}$ cents per cwt.
Feed Rate:	Calgary to Vancouver.. . . .	30 cents per cwt.
Export Rate:	Calgary to Vancouver.. . . .	20 cents per cwt.

Just half of the domestic rate on wheat. This is the domestic rate on wheat from Calgary to Montreal, 60 $\frac{1}{2}$  cents per hundred-weight; export rate Calgary to Montreal 51 cents; ocean rate, Montreal to British port 15 cents per hundred-weight.

Mr. YOUNG: Is that the present rate?

The WITNESS: That was last summer. That is what was paid on the boat that took over a load of cattle of mine. That is what they have been getting. I am only basing the quotation on this one boat. What the average cost was, I could not say.

*By Mr. Sommerville:*

Q. You are comparing it with your freight costs and your ocean costs on your own cattle?—A. On my cattle.

Q. That is the present argument?—A. Yes. One hundredweight of wheat from Calgary to British port, we will say Liverpool, last year, cost 66 cents per hundredweight.

Q. The CHAIRMAN: All rail.

The WITNESS: All rail from Calgary to Fort William, rail from Fort William to Montreal, and ocean rate from Montreal to a British port.

*By Mr. Sommerville:*

Q. Two-thirds of a cent a pound?—A. Sixty-six cents a hundred.

Processed meats—domestic rate Calgary to Montreal \$1.60 per hundredweight; export rate, Calgary to Montreal, \$1.23 per hundredweight.

Q. That means that the processed meats are going through for export and get a rate of \$1.23 as against \$1.60?—A. \$1.60.

Fresh meats: domestic rate, Calgary to Montreal, \$1.88; export rate, Calgary to Montreal, \$1.64 per hundredweight.

Q. Twenty-four cents a hundred less for export than domestic rate?—A. Yes.

Live cattle: domestic rate, Calgary to Montreal, \$1.14½ per hundredweight.

Q. For live cattle?—A. Live cattle. Export rate none.

Q. There is no export rate?—A. No, sir.

Q. You mean it is the same rate?—A. Yes.

Q. That is to say that wheat gets an advantage of an export trade, processed meat gets the advantage of an export rate?—A. Yes.

Q. Fresh meat gets the advantage of an export rate?—A. Yes.

Q. But live cattle do not get the benefit of an export rate?—A. No, sir.

Q. And your argument is that there should be immediate steps taken to provide for an export rate on live cattle?—A. Yes.

Q. And that that would assist in the marketing of your livestock?—A. It would mean a net return back home to the producer, just the differential in the export rate and the present domestic rate.

*By Mr. Factor:*

Q. Has that been the case all the time?—A. It has been for a good many years. We used to have an old export rate on cattle of 90 cents a hundred but it was taken off a good many years ago. I do not know what year it was.

*By Mr. Young:*

Q. That is Calgary to Montreal?—A. Calgary to Montreal, 90 cents.

We have demonstrated on a revenue basis the value of the cattle industry compared to the wheat industry. Wheat, processed and fresh meat, all enjoy a decided advantage in an export railway freight rate over their domestic rail rate. Export rates quoted above were not granted to the wheat and packing industries without sufficient proof being advanced to substantiate their claims.

Cattle exports have now reached such volume that in 1931 we exported 27,000 cattle; in 1932 we exported 17,000 cattle; in 1933 we exported 53,000 cattle when we had additional assistance given to us in fitting up the boats by the Honourable Mr. Stevens.

Cattle prices have steadily declined in the same period. In 1931 the average price received was \$40 per head; in 1932 the average price received was \$34.30 per head; in 1933 the average price received was \$28.85 per head.

*By Mr. Factor:*

Q. The more business you have done the less you seem to have been able to get?—A. I think in 1931 our volume of business was greater than in 1932 or 1933. More cattle were handled through the stockyards and local country kill than was handled either in 1932 or 1933.

Increase in cattle population: November 1, 1932, total 8,511,000; November 1, 1933, total 8,876,000, an increase of 365,000 head of cattle or 4½ per cent. That is an increase in one year one thousand head per day.



*By Mr. Young:*

Q. Was that increase due to the fact that the cattle were not saleable?—A. That had a lot to do with it. People were holding back with expectations.

Q. It is not because they were raising any more?—A. Yes, they had been, I expect. Quite a percentage of this is due to the increase in dairy cattle. I have no means of differentiating between beef and dairy cattle. All I can get from the Department of Agriculture is the total number of cattle. I think a lot of this—quite a percentage would be dairy cattle increase.

*By Mr. Sommerville:*

Q. And instead of there being a normal decrease of shipments or selling, the people held them over because of low prices?—A. Yes.

From the above statements it is manifestly evident that at no time in the history of either the wheat or packing industries have either had such a just claim for an export railway freight rate as has the cattle industry to-day. Same rate to apply on all cattle billed for export to any port outside of Canada, the United States not including. The rate to be based on differential between export and domestic rate given on fresh beef, which is 24 cents per hundred-weight. As dressed beef is approximately 50 per cent of live weight, the differential granted to cattle should proportionately be twice that granted on dressed beef or 48 cents per hundredweight reduction on the domestic rate of \$1.14½. The proposed export rate, Calgary to Montreal, 66½ cents per hundred-weight.

Q. That is your suggestion?—A. Yes, that is our suggestion.

Q. Based upon this argument that your dressed beef gets 24 cents?—A. Yes.

Q. And your dressed beef constitutes 50 per cent of the live weight?—A. Yes.

Q. And to put it in the same class on the matter of weight you should get a 66½ cent rate?—A. A 48 cent reduction.

*By Mr. Ilsley:*

Q. That would be a higher proportionate reduction?—A. That would be allowing a percentage of 50 per cent for killing. It would be the same rate as is given on fresh meat.

Reduction in ocean rates. These rates have been based upon demand for space which is greater than available supply. Lack of space and high rail and ocean rates have been the main factors in holding prices down to present levels.

*By Mr. Young:*

Q. When you speak of lack of space, you mean lack of space that is fitted up for cattle, not ocean space generally?—A. Lack of space for cattle. I am just referring to cattle alone.

Q. What I am trying to get at is the fact that because there is a boat it does not necessarily mean that she can take cattle?—A. Boats have to come up to certain specifications.

The CHAIRMAN: The Board of Trade in England is the controlling body.

The WITNESS: They have to live up to certain regulations.

The following rates are paid for space for representative years and average price per pound for cattle. In the year 1905 the rate was from 25 to 30 shillings. That is for space from Montreal to a British port. That would be from 6½ to 7½ dollars a head.

*By Mr. Senn:*

Q. What year was that?—A. 1905. Export cattle selling on the Toronto markets at that time sold for \$4.60, and the average weight of these cattle that were exported at that time would be 1,400 pounds or better. Now, the demand was for heavy cattle; no light cattle at all were exported.

In 1906 the price in Toronto was \$4.50. The cattle were all the same weight. In 1907—from 1905 to 1913 the rate was the same. The price varied in Toronto. Up to 1913 in Toronto export cattle sold at \$7.10. That is what cattle were worth in 1913 in Toronto, all weighing around the same weight.

In 1932 they charged us \$12 a head. Cattle were worth 5 cents in Toronto and the steers were weighing a thousand pounds against 1,400 pounds formerly. In 1933 they charged us from \$12 to \$15 per head—raised the rate. Cattle were worth in Toronto \$3.50, and the cattle being exported would average approximately 1,000 pounds per head.

*By Mr. Factor:*

Q. It has more than doubled since 1913?—A. Since 1913 it has just doubled—from \$6.50 to \$7.50 from the year 1905 to 1913.

*By Mr. Sommerville:*

Q. And the price of your cattle is about half?—A. Just half what they were in 1913.

*By Mr. Young:*

Q. Do you know what has happened in ocean rates in other commodities at the same time? Have they gone up or not?—A. I do not know. I understand that lots of steamers are tied up for want of business.

*By Mr. Sommerville:*

Q. You are just speaking about ranching?—A. Yes.

*By Mr. Senn:*

Q. You say that there is a shortage of space at the present time. Do you think that the price is exorbitant, \$12 to \$15?—A. Yes, I most assuredly do.

Q. If the trade was there, don't you think there would be sufficient space on hand to accommodate the trade?—A. Well, I could not answer that question. I am not a steamship man. I do not know for what reason they do not ship it. I know that the Dominion government have had to give assistance to those steamship companies to induce them to go into the business of carrying cattle.

Q. It looks to me if it were a profitable trade there would be no shortage?—A. I could not say. They used to carry cattle for \$7.50. If it were profitable in those days it must be doubly profitable to-day, and the expense of running ships no greater than it was.

*By Mr. Young:*

Q. Who paid the cost of fitting up the ships in those days?—A. The steamship companies.

Q. The government did not have to help?—A. No, sir.

Q. What is the extent of the help?—A. Last year, I understand nine boats were fitted through Mr. Stevens.

Q. At government expense?—A. Yes. They were assisted by the government, partially or totally. I am not in a position to say.

*By Mr. Ilsley:*

Q. Do you know the total expenditure?—A. No, sir; I do not.

The CHAIRMAN: We can get all that. I cannot give it to you now as I am not a witness.

Mr. ILSLEY: \$25,000.

The CHAIRMAN: Roughly; but I can put one of my officials on the stand any time and give you the details in regard to that, and the reasons for it, or the alleged reasons.

Mr. ILSLEY: Relief expenditure, was it not?

The CHAIRMAN: No. It was a vote in parliament.

The WITNESS: It cost \$3 per hundredweight to deliver cattle from Calgary to Liverpool as against 66 cents per hundredweight, and that rate if it were going by water from Fort William would be high to deliver wheat at a British port.

*By Mr. Sommerville:*

Q. Sixty-six cents from Calgary to Liverpool on wheat as against \$3?—A. As against better than \$3. It varies from \$3 to \$3.50.

Q. Per hundredweight to deliver cattle?—A. From Calgary to Liverpool.

Further it costs more to deliver cattle from Calgary to Liverpool than the cattle are worth in Alberta, the ratio being 3 as to 2½.

Q. That is a rather significant thing. The cost of carrying your cattle from Calgary to Liverpool is greater than the value of the cattle itself?—A. Yes, sir.

Q. That applies to your good heavy cattle?—A. That applies only to cattle. You might say that 100 per cent of the cattle exported are the better class of cattle. That does not refer to any of the poorer grades of cattle.

*By Mr. Factor:*

Q. Does that rate include the feeding of the cattle too?—A. \$3 to \$3.50 would include the feed.

*By Mr. Boulanger:*

Q. And the care of the animals?—A. Yes, the care of the animals. Rail and ocean rate. The rail rate is \$1.14 and the ocean rate \$15 a thousand, 1½, that would make \$2.64½ rail and ocean rate to say nothing about feeding and expenses in transit.

Transportation costs and net returns to shippers are shown on export sales sheet attached. I had some export sales sheets which I left here with Mr. Stevens.

Shipping costs for the year 1905 per pound compared to the cost for the year 1933. In 1905 the weight of a steer was 1,400 pounds and the rate was \$7.50 which gives .53½ per hundredweight to land the cattle.

The CHAIRMAN: Is that the ocean rate?

The WITNESS: That is the ocean rate alone.

*By Mr. Sommerville:*

Q. A little better than half a cent a pound?—A. Yes, about half a cent a pound. In 1933 our steers averaged 1,000 pounds and the rate was \$15 and it cost 1½ cents for the ocean rate alone against .53 cents in 1905.

Labour, plus shipping costs, for 1933 are no higher if as high in 1905. I have no proof. I could not verify that. That is a statement I am making. I have no proof for it.



*By Mr. Kennedy (Peace River):*

Q. Is that labour for running the ships and so on?—A. Yes, the labour for running ships and fuel—whatever it takes to run a ship.

In 1933 our Federal government paid for the fittings on six boats which formerly was paid by shipping companies. That is to the advantage of shipping companies over those of the days when they were granting us a .53 cent rate. To-day our government is assisting them in fitting up.

*By Mr. Ilsley:*

Q. I thought you said there were nine boats?—A. Yes, nine boats last year. Steamship companies are not justified in charging over what they charged during the 1905-1913 period.

The savings to live stock producers on rail and ocean transportation costs will be immediately reflected back in larger net returns on cattle exported.

Cattle export prices govern the general price structure in Canada. It is increasingly evident that transportation costs must be reduced.

In 1933 Canada marketed and sold 1,464,540 head of cattle. Included in the above number were the 53,000 cattle exported or about  $3\frac{1}{2}$  per cent of the total marketings. Our government are justified in taking any steps necessary to increase returns on the  $3\frac{1}{2}$  per cent cattle exported which reduces our surplus and thus assists the whole market.

To assist the people of Ontario in buying our feeder cattle and bringing them down here to finish them in Ontario or Quebec, or wherever they may be finished, feeding in transit rate should be provided with a nine months stop-over privilege. Shippers are now required to pay two local rates. One, from ranch to feed-lot; two, from feed-lot to market.

Further, the shipper should have the right to divert his finished cattle to any of the main markets in lieu of export. This privilege is granted on the U.S. railways.

Here is a copy of a letter from the assistant general freight and passenger agent of the Great Northern railway in connection with this feeder rate. It is addressed to the Western Stock Growers' Association, Calgary, Alberta:

Dear Sir:

Your letter of January 30th addressed to us at Havre, Montana, has been referred to us for reply.

The through rate on cattle, ordinary value, carload from Havre, Montana, to Chicago, Illinois, is 75 cents per cwt.

In connection with feeding in transit, the through rate applies from Havre to Chicago.

If the cattle are to feed in transit at some directly intermediate point an additional charge for the transit privilege of  $8\frac{1}{2}$  cents per cwt.

That letter is addressed from Helena, Montana, February 9, 1934.

*By Mr. Ilsley:*

Q. How do the American rates compare with the Canadian rates for the transfer of cattle?—A. I did not compare them.

*By Mr. Sommerville:*

Q. Your argument now is that there should be feeding in transit rates so that the shipper may have the right to divert his finished cattle to any of the main markets in lieu of export?—A. If we have the privilege of a through rate from Calgary to Montreal if these cattle are for export, why we should have a through rate on these cattle from Calgary to Toronto, say, if they want to hold them somewhere in Ontario to feed and then ship them to the Toronto yards.

*By Mr. Senn:*

Q. There is no difference in the freight on the different qualities of cattle coming east, is there?—A. No, sir; there is only the one rate, \$1.14½.

Packers grain-feeding live stock—Restraint of Trade.

*By Mr. Sommerville:*

Q. What do you mean by that?—A. To prevent unfair manipulation of prices by packers, the feeding of cattle by packers should be prohibited. With supplies of finished cattle in their own feed-lots, the packers are thus enabled to draw upon these fed cattle held in reserve, and stay away from the stockyards on a rising market, and are thus able to prevent a legitimate advance and force sales on their own terms.

Q. What do you mean by that?—A. I mean that in our country it is a usual procedure for packers to buy up cattle and lambs especially—I do not think they do it with hogs—but they buy thousands of cattle and lambs and put them into their own feed yards and feed these cattle for their own use. It means when I go to market with some cattle if the run should happen to be short and the tendency of prices is to strengthen it is not necessary for the packers to go on the yards to buy cattle; they can go down into their own feed yards where they have thousands of cattle on feed and select cattle for their own need that day and stay off the market.

*By Mr. Ilsley:*

Q. You think that should be prohibited?—A. Yes. I think that is in restraint of trade.

*By Mr. Senn:*

Q. And you say that that practice is followed?—A. Yes, extensively.

*By Mr. Sommerville:*

Q. You say there are thousands on feed in the packer's yards to-day?—A. Yes, last week. I do not know to what extent there are to-day, but they have been drawing on them. They put in a lot of cattle last fall and lambs. They put in more lambs than anything else.

Q. And that is to say that when there is a weak market with a great many cattle coming through they buy them at the low figures and put them into the feed lots, and then when the market improves and you send your cattle onto that improved market you have to meet the competition of the packer who goes down into his feed-lots and brings out his cattle?—A. Yes.

Q. And he does not go onto the market to buy?—A. Yes, sir.

Q. You think that with his facilities for packing he should not be given that advantage of competing with the ordinary rancher or cattle producer?—A. He has a distinct advantage in holding up prices because he is not forced to go into the market and buy cattle on that market; he can go to his own feed-lots and take the cattle out of his own feed-lots and ship them to different points where he may wish to ship.

Q. But you are entirely dependent upon the public market for the prices you get for your cattle?—A. Yes.

*By Mr. Young:*

Q. When the packer bought those cattle, did he not take that many off the market?—A. Yes.

Q. Did not that help some?—A. At the time it did help.

*By Mr. Kennedy (Peace River):*

Q. What should be done with those cattle when the packer buys them? They must either be left on the market or taken off by someone. What should the packer do with them?—A. After they are finished?

Mr. SOMMERVILLE: When they go on the market.

*By Mr. Kennedy (Peace River):*

Q. You say they should not be allowed to feed them, don't you?—A. Those cattle are feeder cattle that should go out in the farming districts.

The CHAIRMAN: You think that the farmer or rancher should do the producing of the cattle and the packer should stick to his job of processing.

The WITNESS: Yes.

*By Mr. Young:*

Q. Would you forbid the packer owning a ranch of his own?—A. No, sir.

Q. You would let him own a ranch but not a feed-lot?—A. Yes.

*By Mr. Sommerville:*

Q. You would let him learn how to lose money?—A. I surely would. I would like to have the packers own extensively cattle ranches in western Canada.

Q. There might be more sympathy then.

*By Mr. Senn:*

Q. Are there any cases of that kind?—A. Yes, sir, there are.

Q. Do some of the packers own ranches?—A. Yes, sir.

*By Mr. Factor:*

Q. Does that practice prevail in the east?—A. I do not know.

*By Mr. Sommerville:*

Q. You say they buy large quantities of lambs?—A. Yes.

Q. Is that the same situation that develops when large quantities of lambs are bought in the west for very low prices and brought east and kept in the coolers until the spring lambs come on and these are brought out in competition with the farmer's spring lambs?—A. Yes. That applies to Toronto, I think. It could happen quite easily in Toronto. They could ship two or three thousand lambs from their feed-lots in Calgary onto the Toronto market and might easily break the market here. I do not know how many lambs it would take to break the market, but I think that they could if they wished lower the price on any of these eastern markets by shipping large numbers from their feed-lots.

Q. That is another question of reserve supply?—A. Yes.

Q. No, Mr. MacLeay, have you something further; you have given us something that is quite new?—A. I just made one or two notes here—sweatshop labour, I think it is worrying our government quite a lot about the price of labour that is being paid in factories in eastern Canada here, which undoubtedly no one wants to see. The case with the rancher out in western Canada is that there are no fixed hours. The ranchers do not go to work at eight o'clock in the morning and quit at five. They usually go to work when the sun comes up, and they are fortunate if they get in when the sun is down; and very often you do not get very much dinner. The average rancher, if he has a ranch on any kind of scale at all, his holdings are large, and you can see you have no chance of doing your work and getting back to have anything to eat at dinnertime.



*By the Chairman:*

Q. Lunch time?—A. At lunch time. We call it dinner.

Q. I wanted these gentlemen down here from Toronto to understand?—A. Well, what has happened about the rancher out in that country, he has been working fairly long hours, without getting anything for it; not only getting nothing for his labour, but if through good management in the past he had amassed any considerable amount of capital, that to-day has been taken away from him, and he is not getting any pay for his labour. He has to pay dearly for the privilege of working.

*By Mr. Young:*

Q. He is getting no wage at all, then?—A. No, he has not for several years.

*By Mr. Factor:*

Q. He has a roof over his head and enough to eat?—A. Yes, he has that.

Q. Some of the labour men have not even got that?—A. Well, possibly they have not.

*By Mr. Boulanger:*

Q. What are the wages paid by the ranchers to their help?—A. By the ranchers? Ranch-hands are skilled help. You can't go out and pick up anybody and everybody as a rancher. It takes years to make a ranch-hand. He is a high-priced labourer. Good ranch-hands get around from \$40 to \$75 a month.

*By Mr. Sommerville:*

Q. And their food?—A. Yes.

*By Mr. Young:*

Q. They are still getting that, are they?—A. Yes. That is not general, but I am paying that.

*By Mr. Factor:*

Q. That is better than getting \$5 and \$6 a week, like some of the labour men in the east?—A. This kind of work is a different kind of work from any kind of work you might have down east. It takes years to learn this kind of work. It is not everybody that can make a good cow-hand.

*By Mr. Young:*

Q. How long will a man last at it?—A. Well, providing he doesn't get killed, he may live to a fair old age.

*By Mr. Kennedy (Winnipeg):*

Q. Mr. MacLeay, would you care to express any view as to the areas of land in the west that have been taken out of ranching and taken over to wheat; that is as to return to the rancher?—A. The percentage of land that should go back to the rancher?

Q. Yes?—A. Well, as far as telling you the number of acres or anything like that, I cannot do that; but it is a tremendous area. Tremendous areas out there were taken out of the ranching industry which never should have been taken out.

Q. Those areas out there which are now what you call dried out areas having to be taken care of, would those in the main prove good ranch lands?—A. They will be in time. It takes a long time for this land to go back to grass, native grass, and grasses that are what we call good grasses for cattle.

Q. About how long would it take to return them to that condition, for instance?—A. Possibly fifteen or twenty years.

*By Mr. Boulanger:*

Q. Would that be southern Alberta?—A. Central and southern Alberta.

Q. And Saskatchewan, southern Saskatchewan?—A. And Saskatchewan.

*By Mr. Young:*

Q. Will native grass come back to the land in time?—A. It will, in time, come back. I say fifteen or twenty years. It will never be the same as it was before it was taken, but it will come back and be fair, good grass land again, I think, in about twenty years; from that time on.

*By Mr. Kennedy (Winnipeg):*

Q. Is that your considered view, that large areas that are now in wheat will never prove profitable wheat-growing lands?—A. Yes; we have great areas there that were settled where our provincial government have for years been trying to get the people out during the winter time, and to induce the people to go out of there. They are giving free land, offering free land in other parts of Alberta where they could make a living, trying to get these lands back, consolidated into areas where they could produce, put them back into ranches, back to the ranching industry again.

Q. There is a great disinclination on the part of people who have once homesteaded, to move away?—A. Some of them. A man that goes in with a lot of money and spends fifteen or twenty years of his life there, hates to get up and pull out.

*By Mr. Kennedy (Peace River):*

Q. How much do you think you should get for a two-year old steer in order to make a ranch pay a man's expenses and keep from going behind?—A. I think after the very careful figures that have been compiled in years past, when the United States government were up there in connection with the Smoot-Hawley bill, comparing the cost of production in Canada, in western Canada, with that in United States, it was estimated that it took from 5 to 6 cents a pound to raise those steers.

Q. Do you think, from your own experience, that you could make it go at that?—A. Well, sir, it would seem like heaven to me, compared with what I have been getting in the past two or three years. I would try awful hard.

Q. You have been going behind in the last two or three years?—A. Yes.

Q. What do you think you would have to get to keep from going behind?—A. I think the average man—we would be fairly satisfied to see such prices as that, 5 and 6 cents for those good steers.

*By the Chairman:*

Q. On the ranch?—A. Yes, on the ranch.

*By Mr. Young:*

Q. Do you have local taxes to pay out there on your ranch?—A. Yes.

Q. How do they compare with what they were twenty years ago?—A. Twenty years ago our taxes were practically nothing. Twenty or thirty years ago when I went to that country first, I owned Alberta. I had no taxes to pay. My cattle ran in Alberta, no fences, no taxes, turn our cattle loose and we gathered them with the round-up in the spring or summer when we needed them.

Q. Now what do your taxes amount to?—A. That varies according to the areas that you are in. They will force you into municipalities in places,

and build schools; parts of those ranch lands have been homesteaded, and their taxes are high. Well, the industry cannot support it at the present time.

Q. You are also forced to fence, are you?—A. Yes. In that country to-day there is no open range country any more. The country is all taken and leased and fenced.

*By Mr. Sommerville:*

Q. You were dealing with Mr. McLean's statement?—A. Yes, he made the statement, I think, in front of this commission, that Canada consumed 99 per cent of the cattle that are produced.

Q. Yes?—A. That is my memory.

Q. That was his statement?—A. Well, I would say that to-day in summing the situation up, that that places Canada in a very enviable position as far as our cattle industry is concerned, if we only have one per cent of our cattle to take care of. It means that this industry is supported at home, and it would be very easy to ascertain a certain cost and to fix a price on those cattle.

Q. That is, it is an almost entirely home consumption market?—A. Yes.

Q. And because of that you would favour fixing a minimum price?—A. I would, yes.

Q. On a certain grade of cattle?—A. Yes.

Q. If you fixed it on one grade of cattle, would that raise the standard of the whole market?—A. Yes, I think it would.

Q. That is like giving a minimum wage to the live stock producer?—A. Yes.

*By Mr. Factor:*

Q. It is not quite as easy as that; how would you fix the price, by legislation or what?—A. Yes, I would. If we only have one per cent of our cattle to take care of then the situation is—if wheat is easier understood amongst you people than cattle, if we only had one per cent of our wheat to take care of, we could do anything, would do anything with it to get rid of it so as to raise the level for the balance that we still had; and we could easily determine the price that could be charged in Canada for profit.

*By Mr. Young:*

Q. Suppose you fix the domestic price for cattle, and it is fairly high, and the people turn around— —A. No, I don't say fairly high; I just say a fair, just price.

Q. Suppose the high obtained on mutton or pork, and people turned to this other kind of meat, what would happen then?—A. As far as mutton and pork are concerned to-day, I think as far as the hog producer is concerned, he is not worrying very much about it. With these prices that are maintained to-day, he is fairly well looked after.

Q. What I am trying to get at is this, can you fix beef cattle on the domestic market without fixing it also on other kinds of meat?—A. It might not be possible. It might be that at the same time you are fixing the price of beef, a minimum price could also be put on pork.

Q. You would have to take in fish, then?—A. Well, you might have to take in wheat, if you want to go that far; take in everything. I am not anticipating a situation like that at all.

*By Mr. Kennedy (Peace River):*

Q. Is it true that cattle prices right now are away out of line?—A. They are out of line with wheat, mutton, pork, or any other product that is grown on a farm or a ranch.

Q. That is, out of line by being lower?—A. Yes.



*By Mr. Sommerville:*

Q. Your suggestion is that some kind of minimum price be put upon cattle or some grade of cattle?—A. Yes.

Q. And have you a suggestion as to the authority through which that might be done, or the body through which it could be done?—A. No, sir, that would be up to our government to determine.

Q. But you feel it is one of the necessities of maintaining the industry that you have described this afternoon?—A. An industry of the magnitude of the cattle industry in the Dominion of Canada, and of the importance to the people of Canada,—I do not think that our country can afford to allow an industry like this to perish, you might say.

Q. You mentioned a little earlier the grading of meat. You referred to red label and blue label meat?—A. Yes.

Q. Would you just give us the benefit of your experience with respect to that?—A. Red and blue label meat are the best grades of meat.

*By Mr. Senn:*

Q. You mean of beef?—A. Beef yes. Our government several years ago established the grading of meat. The grading of meat is done by the packers themselves, inspected by federal inspectors who inspect this meat to see that the packers keep this meat up to a certain standard.

*By Mr. Sommerville:*

Q. That is, red and blue labels are attached to the meat by the packers themselves?—A. Yes.

Q. And certain regulations have been set as to what shall constitute red label beef and what shall constitute blue label beef?—A. Yes.

Q. And the packers attach these labels to the quality that they believe complies with those regulations?—A. Yes.

Q. And then the inspectors from the department go around to the packing establishments from time to time and check up on the beef that is there, to ascertain whether they have complied with the regulations?—A. Yes.

Q. That is the system, as I understand it?—A. That is the practice.

Q. Is that universally done in Canada, or is that only at the larger packing plants?—A. No, I think only at the larger packing plants.

Q. And that would be in the nature of premium beef?—A. Yes.

Q. Is there any premium paid on that grade of cattle that produces that premium beef?—A. No, sir.

Q. Have you any observations to make to this committee as to your views on that point?—A. Well, it would almost seem to me that grading meat the way they do, when a man is producing that class of cattle that will grade red and blue label meat, if his cattle are all of that quality some differential in price should be paid him over and above the average common run of cattle. But no one is paid anything for producing that in our country at all. I know that. With red and blue label meat there is a universal price set. Last fall the price set for the best steers in our country was two cents a pound.

Q. Who set it?—A. Well, we have no outlet in western Canada; we are not close to outlet market centres like people in eastern Canada where you have Toronto and Montreal markets. We have no market. Calgary is our only market, and it is not a market. Ranchers never ship their cattle to Calgary on the market.

Q. Why?—A. Because there is no market there.

Q. What do you mean by saying that there is no market?—A. Well, there is a market there all right, but if two ranchers should happen to conceive the idea of shipping on the same day, if one rancher shipped in twenty carloads, and

another rancher had twenty carloads, forty carloads of cows, and then we were marketing a certain grade of cattle that day, like beef cows, and they come in there with forty carloads of cows—I am not blaming the packers—it does not always happen that the packers are on the market for forty carloads of cows that day, and the result is the ranchers never go direct to Calgary with their cattle. Cattle are usually sold at home, or they will ship them to Winnipeg or Toronto. Very few cattle go to Montreal.

Q. You say that the best price for the best steers last fall was two cents a pound?—A. Two cents a pound.

Q. Two dollars a hundred?—A. Yes, \$2 a hundred.

Q. And that would mean that a 1,000-pound steer would give you \$20 gross?—A. Yes.

Q. And that, you say, took four years to produce?—A. Four years' effort.

Q. \$5 a year for your effort in producing that 1,000-pound steer, as a gross charge?—A. Yes.

Q. You have sold quantities of your cattle out there on the ranch at prices similar to that, have you? I think you sold some, you told me, last fall?—A. I sold no cattle last fall in Alberta. I exported all the cattle that I had.

Q. What about your cows?—A. Well, the outlet for our cows in Great Britain is not a good outlet. They do not seem to want our cow beef. It is not acceptable on that market. The result is that our cows have to be marketed at home. I could not sell my cows at all last fall, so I put them in the middle of November and started to feed them. I hay fed them. I didn't grain feed them. I fed them on good bunch grass hay. In the olden days the ranchers never fed grain; it was all grass, and we made good beef out of grass alone. I fed those cattle until March 17, when they were marketed—January 17.

Q. Of 1934?—A. 1934.

Q. This year?—A. Yes.

Q. And after growing them, and then feeding them and fattening them in this way, what price did you get for your product?—A. Here is my sales sheet. These were as good a bunch of cows as ever left a ranch in southern Alberta.

Q. How many?—A. I had 174 head that paid two cents, and 47 head that paid  $1\frac{3}{4}$  cents on January 17.

Q. Where?—A. At Cayley, the shipping point.

Q. In Alberta?—A. Yes. Not at a market, at the shipping point.

*By Mr. Factor:*

Q. Who bought them?—A. Burns & Company.

Q. Packers?—A. Yes.

*By Mr. Sommerville:*

Q. What is made of the meat of these cows; where is it sold?—A. These cows are not cheap meat. They are really an excellent quality of meat.

Q. So I believe?—A. These cows are the highest priced meat that is sold for ungraded meat in the city of Calgary or shipped to the coast.

Q. Those cows that you fattened and sold at  $1\frac{3}{4}$  cents and two cents a pound produce the best graded meat that is sold in Calgary?—A. No, not the best graded meat.

Q. Well, the best meat outside of the blue and red label beef?—A. Just as good as any meat.

Q. And you got  $1\frac{3}{4}$  cents and two cents a pound?—A. Yes.

Q. Why the variation from  $1\frac{3}{4}$  cents to two cents?—A. Well, I suppose it would mean a cheaper meat to the packers. I could not see very much difference in the cows myself. They were pretty much all of a class.

*By Mr. Factor:*

Q. What would that meat retail for in the stores of Calgary, can you say?  
—A. In good condition these good cows and heifers—they were not all cows, a percentage of them were heifers, some of those cows had one calf, might have been four or five or six years old; there were some three-year olds—this meat would sell in Calgary for as high a price as any meat sold in the city of Calgary barring government graded red or blue meat.

*By Mr. Kennedy (Peace River):*

Q. What would the hides be worth?—A. Oh, I did have that quotation, but I could not say now.

*By Mr. Kennedy (Winnipeg):*

Q. Would the butchers be able to get any filet mignon out of that?—A. What?

Q. Filet mignon, could the butchers get any filet mignon out of that class of cattle?—A. Yes, certainly; tenderloin, sirloin, filet mignon.

Q. That we pay 75 cents to a dollar for?—A. A dollar and a half.

Mr. FACTOR: A delicacy I have enjoyed little of.

*By the Chairman:*

Q. I suppose if you went in the Palliser there and had some, you would pay \$1.50?—A. Yes.

*By Mr. Sommerville:*

Q. Well, you are not living on a filet mignon diet on two-cent cattle, are you?—A. No, you are not buying filet mignon down in Ottawa.

Q. Not in Ottawa?—A. No. We have it at home on the ranch because it is the cheapest thing we can eat.

Q. Apparently you have grown good beef, Mr. MacLeay. Now, are there any other observations that you would like to make to the committee with respect to the question of live stock marketing or live stock?—A. Well, I think I have covered the ground fairly well.

Q. Well, I am sure we thank you for this very interesting statement of fact, and the very great thought that you have given to the subject, opening up new angles to us that must have been interesting to all?—A. Well, I am sure any cattleman in Canada to-day will do anything to assist in trying to rectify these present prices which are absolutely unjustified.

Q. You came down here of your own accord?—A. Yes.

Q. In the desire to see if something could be done with the authorities here?—A. Yes.

Q. You did not come down here as a witness?—A. No.

Q. To appear before the committee?—A. No, I didn't come down to appear as a witness at all.

Mr. SOMMERVILLE: We thank you very much.

The CHAIRMAN: You make as good a witness as you do a rancher, and I want to thank you.

The WITNESS: Thanks very much, Mr. Stevens.

GEORGE H. BARR, called and sworn.

*By Mr. Sommerville:*

Q. Mr. Barr, you are a barrister and solicitor, practising in Regina?—A. Yes.

Q. And have been for some twenty-five years or more?—A. Yes.

Q. You act for the Saskatchewan Co-operative Live Stock Association Limited?—A. Yes.



Q. And have ever since its organization?—A. Yes.

Q. Perhaps you can tell the committee your association with the co-operative farmers' efforts in the province, in order that I might get the background of your experience and knowledge?—A. Yes. I have been brought into contact with various farmers' organizations in Saskatchewan for the last twenty or twenty-five years, starting with what we look upon as the old Grain Growers' Association which is really the parent farmers' organization of western Canada. I had the honour to be solicitor for that body some twenty years ago, and continued to act in that capacity until it merged with another farmers' organization and lost its identity. Following that, I was asked by the government to act as legal adviser to various groups of farmers who desired to organize themselves into co-operative marketing organizations.

*By Mr. Ilsley:*

Q. In Saskatchewan?—A. Yes.

Q. That is the Saskatchewan government that you meant?—A. Yes, the Saskatchewan government. Under that direction I organized first the Saskatchewan Co-operative Poultry Producers, and later on as that extended I also organized and obtained a Dominion charter for the Canadian Poultry Producers, and I still act as counsel for that body. At the same time or shortly afterwards I organized this body that we are representing here to-day, the Saskatchewan Co-operative Live Stock Producers.

*By the Chairman:*

Q. That experience goes back how many years?—A. About twenty years; that is starting with the old Grain Growers' Association. That is really the parent body. I was going to say just by way of explanation—and I think it would perhaps facilitate the presentation of our case, if I may put it in that way, to explain to the committee at the outset that we are down here, Mr. Roblin as the president of the Saskatchewan Co-operative Live Stock Producers, representing 17,000 farmers, members of that organization, and Mr. Ingleson of Winnipeg, representing the Manitoba Co-operative Live Stock Producers and what we call the C.L.C. Western, that is the Canadian Live Stock Co-operative, Western, which is a co-ordinating body through which we operate the general sales agency at St. Boniface.

*By Mr. Sommerville:*

Q. At the Winnipeg market?—A. Yes. So we are here representing some 25,000 members of these organizations, and our organizations are not exclusive at all. Our facilities are open to any producer, and as a matter of fact we do market stock for practically double that number of farmers, or from time to time they avail themselves of the facilities that we have to offer.

*By the Chairman:*

Q. Something over 40,000?—A. Something over 40,000.

*By Mr. Sommerville:*

Q. Producers of live stock?—A. Yes, producers of live stock. Since the inception of that company some seven years ago, we have handled over \$20,000,000 worth of live stock in the Saskatchewan Co-operative alone; and for the convenience of the committee, I may say—and arising out of a suggestion made by Dr. Coats, I believe, at the preliminary hearing of this committee, that co-operation was one of the matters in which you gentlemen would be interested—I have prepared the various documents or by-laws and so on under which we operate, in the form of a supplementary memorandum which I will file with the committee by way of a supplement to our brief.

I may say, too, that we have two briefs prepared, one dealing with the situation from the aspect of the C.L.C. Western which will be presented by Mr. Ingleson, and one by our own Saskatchewan association which will be presented by Mr. Roblin. Those gentlemen will deal with the marketing from a technical standpoint, giving you the benefit of their personal knowledge and experience in connection with these various problems. In my evidence, if I can be of any assistance to you, I shall endeavour to give you an outline—a brief outline—of the development of what might be called the legal framework of these organizations as a background for the evidence which those gentlemen will give.

Q. Then your organization in Saskatchewan is purely a producers' organization?—A. Yes, it is purely a producers' organization.

Q. And the organization in Manitoba is purely a producers' organization, this co-operative association?—A. I should vary that, Mr. Sommerville, slightly. That anticipates the description of our subsidiary, Saskatchewan Co-operative Abattoirs Limited, which I will deal with later; but with that reservation, your statement is correct.

Q. But yours is a producers' organization?—A. Yes.

Q. In both provinces?—A. Owned, operated and controlled entirely by the producers.

Q. By the producers themselves?—A. Yes.

Q. And then these two producers' organizations use a third co-operative organization for the marketing of their live stock?—A. Yes.

Q. On the live stock exchange at Winnipeg?—A. Yes, and particularly in relation to export.

Q. And particularly in connection with your export business?—A. Yes.

Q. Then perhaps you would just give to the committee an outline of the legal framework that you referred to, and then we might have the benefit of the evidence to which you refer. Will you just proceed, Mr. Barr?—A. I don't want to go too much into detail, but perhaps just an outline of the constitution of this body may be of value, as affording some suggestion to a possible solution to this problem, which I think has been so well presented by the last witness—it certainly appealed very much to me. In order that we may get the national aspect of the situation, and I think perhaps our co-operative effort in western Canada may be, and I hope it will prove to be, of some assistance in working out a plan on a real national basis to put purchasing power in the hands of our farmer people, without which there is no prosperity for any of us. I quite agree with Mr. MacLeay—I am in the midst of it, most of my clients are farmers, his statement is no exaggeration of the situation at all. We are absolutely facing disaster unless this situation is handled in a national way.

Now, I proceed with the organization. The purposes of the organization, as set forth in our constitution and as operated, is to market the product of our members with as little expense as possible, in order that we may return to the producer the actual return for his products. Control of the organization is invested in two directors who are elected from the seven districts into which the province is divided for convenience, and each of these districts is in turn divided into what we call our local shipping associations. I may say that the position at which we have arrived to-day is the result of what you might call the evolution of this effort based upon the experience from year to year; and we have found that the establishment, the development and the encouragement of local shipping associations has been a very important factor in relation to all the things that you were discussing here—quality production, accurate information, volume and so on.



To keep proper relationship between volume and overhead the local associations are autonomous. Under the special act of incorporation which we obtained each of the local associations are autonomous within themselves. They have their own by-laws, their own officers, and they are a members' organization.

*By the Chairman:*

Q. Do they function independently?—A. They function in respect to certain local features independently. They have the right to own and dispose of their own weigh scales, and their own facilities in a local way; and nothing that may happen to the association can imperil their assets, and on the other hand, any difficulty which they may get into cannot imperil the reserves of the parent association. That is a departure that became necessary when this directing policy was introduced, should situations arise by which the whole of the reserves might have been imperilled through indiscretions in a local way, you see. Now, in order that we may ensure volume—and I think perhaps this is important, because I believe there is a little misunderstanding in Eastern Canada in regard to our so-called cooperative associations; some people seem to think there are certain objectionable features on account of certain coercive elements I think. I might tell you that that certainly does not exist. It is true that each member signs a contract to use this association exclusively to market his live stock over a limiting period of time; but in the contract, which is in the binder, you will find that any member has the opinion of withdrawing from the association on a month's notice at the end of any year.

Q. Will you file this?—A. I will file this (filed as exhibit 68). To that extent it is a purely voluntary association, and the fact that we have been able to increase our membership and have now some 17,000 members, each of whom have the privilege of withdrawing, if he so desires, is some indication of the service that has been rendered by this association and the extent to which we have done what we set out to accomplish.

The next departure in the development of this organization was to attempt to do some processing ourselves. The farmers, in order to make themselves as cognizant as it was possible with all features of the marketing of live stock, taxed themselves during the marketing of these products a certain percentage of the proceeds. In this way they have created a fund of some \$170,000, which has now been converted into an abattoir at Saskatoon, a stockyard at Saskatoon, and a stockyard at Regina. So that in order effectively to accomplish what they set out to do the farmers themselves have contributed the sum of \$170,000 over the past seven years in our organization alone, and they established these facilities which are open not only to their members, but to all comers on a fair and reasonable basis.

*By Mr. Factor:*

Q. That is the Saskatchewan Cooperative?—A. That is the Saskatchewan Cooperative Live Stock Producers' Association. We call our subsidiary the Saskatchewan Cooperative Abattoir Limited.

Q. Do you handle or process your own products?—A. We do not do that now. First, may I give you the relationship of these subsidiaries to the parent body. We issue to each member of our association preferred 3 per cent non-cumulative stock in the subsidiary company to the full extent of the contribution of each member by way of deductions under his contract.

*By Mr. Kennedy (Winnipeg):*

Q. Non-cumulative?—A. Non-cumulative 3 per cent stock. This stock is redeemable at par at the will of the association, so that from time to time if reserves were built up, and as farmers who came in contribute to that fund to facilitate the handling work, they have the prospect—at least we hope they



have—of having their money returned to them; but that is not the important factor, it is the creation of facilities to help themselves. Now, after an attempt at processing our co-operative abattoir decided to confine itself entirely to the production, the assembling and the marketing of live stock; and they have made arrangements with the packers now by which the Abattoir Company is used entirely as a killing station on a per head basis—that is, the abattoir operating in Saskatoon. So that it may be said that we are purely now an assembling and marketing organization, and that the abattoir is only used in co-operation with the packers for killing requirements as they may be needed, and on a certain agreed scale of fees.

Now, the next development. Perhaps I had better make this further explanation, that it is recognized that this subsidiary company should always be used as an arm of service of the main body; that is, to accomplish the main purpose; so that the common stock is entirely held by an elected board of directors of the organization itself. One Board of Directors operates both the parent organization and the subsidiary. The next development which I think perhaps will be of interest to you is that at one stage in order to take advantage of the British market we entered into an arrangement with a small organization, another co-operative which secures supplies from various Dominions, and actually started a very successful marketing program in the Old Country for our Canadian organization. I was brought into intimate contact with that by meeting the Board of Directors of the C.W.S., the Cooperative Wholesale Society of England. They have a consuming opportunity represented by 5,000 retail stores, and it seemed to be the logical thing and an opportune time to see if the producer of food on the western prairies and this great distributor organization in England might not go one step further in co-operation, and we dispose of our product to that body. Now, I met these gentlemen in the winter of 1930-31. We made an arrangement. Their meat expert came out, and I have no doubt some of the cattle Mr. MacLeay speaks of went forward as a result of the trip of that gentleman to Canada. I was in England again in 1931, in the summer, and I met the same gentleman. They expressed themselves as highly delighted with the type of cattle they were getting from us; and I met the same meat expert near Manchester, and the word that he sent back with me to my organization was to increase the shipments as much as possible. Our steers were bringing on the British market at that time from 100 to 125 shillings apiece. Our own Mr. W. A. Wilson, the agricultural representative for Canada connected with the Office of High Commissioner in London, told me that he was simply delighted with the type of cattle that were coming forward. At about that time this trade came to a standstill. Now, I emphasize that as indicating that the men interested in this industry, through their own initiative had laid the foundation for a splendid trade with the logical market, and the tragedy of it is that the whole trade—remember, we had the stock here and they wanted them at the stores there—and that whole trade was cut off over night. The big factor was one over which none of the producers in Canada had any control, and that is the fluctuation in exchange when Britain went off the gold standard in September, 1931. That whole trade was cut off, and we lost \$18,000.

I would just like to suggest to the committee that in considering the various elements that enter into the stabilization of this industry, and the assurance to the producers that if they do their part, there will be some kind of a stable and continuous market, that that question of exchange fluctuation be taken into serious consideration; and I know that the 17,000 farmers who are represented here would concur in the suggestion, or the recognition, given by Mr. MacLeay that an effort was made to stabilize exchange to some extent, as the result of which the trade has been to some extent rehabilitated.

*By Mr. Sommerville:*

Q. That is to say, you urge that the stabilization fund of last year be made a permanent feature of any marketing program?—A. Well, I would go a great deal further than that. I may say that as a result of my experience there, and my connection with the farmers of Western Canada, who are simply dazed by the experience into which they were thrust, I was forced to make what study I could of the problem of exchanges, of the working of the gold standard, and the stabilization of the gold standard from the commodity angle and so on; and I would go a great deal further than you suggest to secure a definite stabilization, and to reach an arrangement between our money and British money, and other portions of the British Empire, by agreement; quite irrespective of gold backing or any other supporting factor, based upon the requirements of home buying, and based upon real wealth as represented by the things that people believe in—what they eat, what they need in the way of clothing, and what they need to shelter themselves.

*By Mr. Ilsley:*

Q. That is what is called aligning the dollar with sterling?—A. It goes further than that, aligning it freely without any reference to gold; that is another question.

*By Mr. Sommerville:*

Q. But it applies, as of necessity?—A. I would suggest this; if we cannot do it, if the human race have not got ability enough to deal with this artificial situation in a fundamental way, and recognize that after all, all trade is barter, and money is only a member in such a factor to facilitate barter, rather than to hinder it, then I would fall back on the next branch and say if we cannot do it in that way, by all means let us do it in a national way, stabilize it, through a stabilization fund. I look upon that as a temporary expedient and as not striking at the very root of the difficulty. So much for that factor.

Now, I do not like to wander away from the real problem that you wish to have considered; but may I just, in the light of some of the evidence I have heard here, give you briefly some of my observations in Denmark, because when I was over there I took advantage of the opportunity in the interest of my clients to visit Denmark at the time of the World Dairy Congress, and as the guest of the co-operative organizations of Denmark. I was taken from bacon factory to bacon factory, and to dairy plants; and was furnished with all the various by-laws and so on, under which they operate. On my return, as a result of that experience at that time—I was on the advisory committee of the Canadian Chambers of Commerce, and I endeavoured through the medium of that organization to assist in formulating some policy which might in a measure adapt the Danish system to the requirements of this country; that is, to formulate a form of agricultural policy which would co-ordinate our various efforts, and eliminate minor differences of a local nature, and develop a real national policy similar to that in Denmark. They have a central organization there, which has met with immense success in connection with the marketing of their product successfully, and it is known as the Agricultural Council of Denmark. I have here a copy of the type of statistics which they get out for their people on their situation, and I will file this with your committee, if you desire.

(Exhibit No. 70 filed; Statistics of Danish Agriculture).

In an attempt to assist if I could in working out some plan that would help meet the situation in Canada, I prepared a draft of a constitution for a similar body, purely voluntary, that might coordinate our various organizations in



Canada. I would be very glad if it would be of any assistance to the committee at all to file that, as perhaps in it there might be some suggestion as to how we might in a measure adapt the Danish system to our own requirements.

(Exhibit No. 69 filed; draft of proposed organization).

Mr. SOMMERVILLE: Thank you.

The WITNESS: I recognize that there are many factors that obtain there which do not obtain here, but I believe we ought to be big enough in Canada to learn from anybody. I am satisfied that there is a certain suggestion there that we might well adopt in the industry here; and that relates to the function of the President of the Agricultural Council of Denmark, whose principal function is to assist in the coordination of the activities of the various agricultural organizations. The Chief Executive Officer has his offices in Copenhagen, and he is the nerve centre of the cooperative activities of Denmark, of the whole export trade; and keeps in touch with potential markets and prices, and so on, and as a result the very things that we are struggling for here in Canada are under control to some extent in Denmark, and I feel that in the light of the situation that is now facing the western Canadian farmer and the efforts that are being made to induce him to go back into mixed farming, the time is very opportune to see if we cannot work out some national policy, not in any selfish way for western convenience, but in order that the western farmer may be given purchasing power in order that the wheels of industry in eastern Canada may turn. I may tell you that in our university we had an expert recently make a survey of the requirements of our province, and his estimate was that it would take \$140,000,000 to put our farm population on a normal basis. They are doing without everything—running binders with a bit of plating tied with a piece of binder twine. I would like to give you one instance to indicate the psychology of the western farmer in regard to these problems. I say it is not selfish, because if you give the western farmer purchasing power he will spend that \$140,000,000 and you will get the benefit of it; it will redound to the benefit of every man, woman and child in Canada. We will never get that until the western farmer is on his feet. I used to teach school near Qu'Appelle, and there were a fine lot of Ontario old farmer families who went in there in the rebellion days and have struggled and built up fine homes, and I would like to give you as a pointed illustration the observation made to me by one of that type of pioneer in regard to the matter of going into mixed farming. He said, "Yes, it is all very well; you can come and lecture us about mixed farming and we go to work and take it for granted that everything told us is true. We put in an expensive plant, make the investment and mortgage our farms to do it and just when we are all in it the bottom goes out of the market owing to factors over which we have no control and all we have left as a souvenir for our effort is the mortgage on the farm." That is an actual statement made by one of the best type of farmers in western Canada. That is the psychology and the reaction, and there is a wonderful opportunity afforded right now to get our farmers back into industry. I think it is not asking too much that Canada as a whole recognize that this is a national problem and must be dealt with in a national way; and that if we are going to ask our men in the face of what they have gone through in the last few years to make that expenditure again and that effort again, they should be given some assurance that every effort that is humanly possible shall be made to give them stability of price, continuity of market, and a planned and organized effort so that they will not be defeated by their own success.

It has been well said that under normal condition a thrifty man to pay his debts will do two things—he will get up an hour earlier and work an hour longer, or he will do without things. Now we are told that we should work an



hour less; so that this is an age of anomalies. The western farmer is confused. And if we are to believe John Maynard Keynes, the men who advocate doing without everything are either fools or madmen. However, in his desire to rehabilitate himself and to get out of this slough of despond which obtains, the western farmer is justified in asking that in regard to these factors over which he has no control everything humanly possibly should be done in a national way to have them put under adequate control and eliminated if possible. Perhaps I have taken advantage of you in giving you some of my views, but I have been absorbing them for thirty-five years. I have lived among these people and have run a farm myself, so I can give you some idea.

Mr. SOMMERVILLE: You make your money in law and lose it in agriculture.

The WITNESS: I lose it both ways now

Mr. SOMMERVILLE: You are not a farmer, you are what they call an agriculturist.

The WITNESS: I have the honour and the experience.

Mr. FACTOR: You are a gentleman farmer.

The WITNESS: Well, just to give you an illustration. I have a half section five miles west of the city of Regina. My share is one-third of the crop and on that farm for three years hand running my share was from \$2,200 to \$3,000. For the last three years it has been less than \$200—not enough to pay the taxes.

Now, that is not an isolated illustration. I think I should correct, in regard to our own province, perhaps the erroneous impression that the last witness may unwittingly have left in regard to southern Saskatchewan. That land is just as good land for producing wheat and cereals as it ever was; it is purely a matter of moisture. The soil is there, and you can go twenty feet deep and it is just as rich twenty feet down as it is on the surface, and it is capable of again producing great crops. There are sections, and there is no question about it, south of Moose Jaw and in the sand hill district down to Johnston Lake which would make your heart ache to see the fine houses abandoned—land that never should have been settled; but the great area of wheat plains around Regina, Milestone—

The CHAIRMAN: Weyburn.

The WITNESS: Yes, and Weyburn are capable of again producing and will produce. Give the people of western Canada a fighting chance and they will make good. But these are uncontrollable factors. There are certain controllable factors in the matter of price levels and within the limits of human capacity. I am delighted, as one member of the delegation, to see the way this committee is working. I have read some of the evidence, and I believe it is a gesture that is appreciated very much by all the people in western Canada who are looking for some encouragement in these very discouraging and destructive times. I do not want to encroach upon the time that could perhaps better be taken up by men who are in direct contact with the actual problems of this industry; but there is one other observation worthy of note, and that is the very fact that there are areas that were utilized for farming instead of being kept for ranching and that is, perhaps, as good an illustration as you could get of the folly of allowing development to go on in a haphazard manner without some reasonable planning and control. This is a good illustration of that one fact, I suggest to the committee in its deliberations that in as far as it is possible to plan and not to run away in a haphazard fashion. We are going to plan on a national basis.

Now, we have prepared two briefs. We came down here on comparatively short notice, and we have done the best we could. We have briefs that have a great deal of detailed information. Mr. Ingleson will be glad to proceed, but we will file with you briefs that will cover a good deal of detailed information from which I think you will be justified in agreeing with me in the general conclusion which I have endeavoured to put before you.

*By Mr. Sommerville:*

Q. May I just get this clear. Your association has been in operation now for seven years?—A. Yes.

Q. And I understand that in that time you handled over one million head of livestock?—A. Yes, sir.

Q. Having a value of upwards of \$20,000,000?—A. Yes, sir.

Q. And that your representative Mr. Roblin and Mr. Ingleson, will present details of the live stock industry with a view to presenting some suggestion for improvements?—A. Yes, I think we have worked out some. I am not taking any credit. I think we have worked out a very comprehensive, workable and successful plan, and I hope when they get through that you gentlemen will agree with me in that observation.

Q. I understand that you are having a copy of the brief prepared for each member of the committee?—A. There will be two briefs.

Q. They will be available for us in the morning?—A. Yes, two briefs, one particularly applicable to the Saskatchewan organization, and one which is a joint brief. At the conclusion, to save time, and for your convenience, we have put the joint recommendations at the end of the brief which will be presented by Mr. Ingleson as representing both organizations. You will find some constructive recommendations in that brief.

Q. Before you close, you intimated that you had a long connection with the Poultry Co-operative Association of Saskatchewan?—A. I organized it.

Q. Could we have the benefit, in connection with your briefs, at a later date, of your observations on the effect on the poultry industry of some practises that we have heard of in the use of poultry as loss leaders in chain and department advertisements. I do not want you to give it to me now, necessarily, but if you will be good enough to give us your views in some definite form from your observations upon the subject, after Mr. Ingleson and Mr. Roblin have completed their briefs, we will be grateful?—A. If you will allow me to make a suggestion. The one man who has been the inspiration and the mainstay of that organization is Mr. Landruth of Winnipeg, who is vice president and manager of the Canadian Poultry Pool which handles a very large volume and was successful last year in marketing our considerable surplus on the British market. My evidence would be secondary evidence, and as all lawyers know secondary evidence is not as good as primary evidence.

Mr. FACTOR: We have had a lot of that.

The WITNESS: I will ask Mr. Landruth to prepare a statement for you giving the specific detailed information based upon actual personal contact with the business, which will be much more satisfactory.

*By Mr. Sommerville:*

Q. I did not know of your connection with the poultry industry until you mentioned it, and I thought the committee would like to have the benefit of that information because of certain evidence which has been given?—A. I am very proud to be the counsel of that organization.

Q. As a lawyer, I appreciate their constancy.

*By Mr. Kennedy (Winnipeg):*

Q. There is just one point. You filed with the committee a document you have prepared based upon your observations as to the live stock and dairy industry in Denmark. What I want to ascertain is whether this document that you have filed is a replica of the constitution or organization published, or have you revised it with a view to meet conditions in this country?—A. It is a revision of the Danish constitution to meet conditions in this country, and while we have only one copy of this, I will be very pleased—I have the Danish



Constitution here, and if you think it will be of any service to the committee I will be glad to file it as an exhibit. It will give you some idea of not only the Constitution but the type of data and statistics which the Danish people send out to their members and by which they co-ordinate all these various activities in the national policy.

(Danish Agriculture Statistics. Published by the Agricultural Council of Denmark, Filed, Marked Exhibit 70).

*By Mr. Factor:*

Q. That is the constitution?—A. That is the constitution.

*By Mr. Kennedy (Winnipeg):*

Q. Since Denmark is one of our hardest competitors, I think it would be very interesting?—A. I would be very glad to file it as a supplement.

(Exhibit 70.)

*By the Chairman:*

Q. I understand that is your only copy?—A. Yes.

Q. Your training as a lawyer makes you hesitate in parting with it, but let us have a copy of it?—A. I think I will part with anything I have that will assist this committee in solving our problems.

*By Mr. Young:*

Q. Before you go, I would like to ask a question or two about your own farm. You say it is four miles from Regina, and you have it rented?—A. Yes, on a third of the crop basis.

Q. Your share of the crop is one-third?—A. Yes.

Q. And that was \$200 a year for the last three years?—A. I am just giving the average for the last three years.

Q. That means that the man who operated the farm gets \$400?—A. Yes.

Q. And then what would he have to pay out of that \$400?—A. I know this, that he didn't have enough out of the \$400 to live on; he had to draw on his reserves to keep going, I cannot give you the details; I didn't go into that.

Q. Did he have anything of the \$400? Was it sufficient to cover his actual debts and expenses, apart altogether from his own wages?—A. He is a busy fellow, but had it not been that I allow him to have all this—he has quite an income from dairying, from milk and cream and poultry; he gets all that; I told him that he could have all that; and it was that that supplemented his income sufficiently to enable him to keep up. If it had not been for that, I don't think he could have. Living near to the city, it made it a little more favourable than many people where they are away from the local market.

Q. Could you give us any statement as to what wages he got for the year?—A. Well, he is very thorough, and keeps an accurate record. I will endeavour to get that and send it. I did not anticipate going into that.

Q. I am trying to find out what wages he gets for his work.—A. It is safe to say that he has been working on a basis, during these years, which would not afford him a reasonable standard of living, and had he not had some reserve, this supplementary means of sustaining himself, he could not have kept up. I think that is fair.

Q. If you took out the cost of his feed and seed and threshing, his outlay for labour, seed, feed and threshing, would he have any wages at all?—A. No, he would not have any wages at all.

Q. He would not have any wages at all?—A. No. That is what I say. He is living on reserves. We are all living on reserves, and there is very little left right now. As you all know, right now we are living on faith.



Q. Hope and charity?—A. Well, no. I will say this—and I think it is an absolutely correct statement—that there is not a single farmer in western Canada who wants any charity or any patronage from anybody. He wants a fair deal and a fighting chance, and he will get through if he gets that. That is the way I feel about the western farmer, and I have come in contact with a great many of them.

*By Mr. Kennedy (Peace River):*

Q. You mentioned a return of \$600; was that due to low prices or low prices and bad weather?—A. Well, both; mainly low prices, purchasing at less than cost of production.

The CHAIRMAN: Thank you, Mr. Barr. We will have the other two members of the Saskatchewan delegation to-morrow. It is now 5.30, and I do not think it would be advisable to start one of those gentlemen to-night, so we will go on at 11 o'clock to-morrow morning, and we will have the other two gentlemen from Saskatchewan, Mr. Ingleson and Mr. Roblin.

The committee adjourned at 5.35 p.m., to meet on Thursday, March 22, at 11 a.m.

HOUSE OF COMMONS, ROOM 368,

March 22, 1934.

The special committee appointed to inquire into price spreads and mass buying met at a 11 o'clock a.m., the Hon. H. H. Stevens, presiding.

Mr. W. W. Parry, K.C., of Toronto, appeared as counsel for the committee.

The CHAIRMAN: Order, gentlemen. The minutes of yesterday's two sittings indicate the names of the witnesses that were heard, and the filing of certain exhibits. I will declare the minutes adopted unless there is some objection.

This morning we had intended to proceed with our friends from Saskatchewan, but there is a gentleman here who was not summoned; he is here from Alberta, and has been here for several days, desiring to be heard, I think our Saskatchewan friends will forgive us if we bring this gentleman on now. It is most unfortunate that he should have come in that way without giving us an opportunity of arranging it, but we feel that in justice to him we should give him the opportunity to be heard. So we are calling Mr. R. H. M. Bailey, president of the Alberta Milk and Cream Producers Association.

R. H. M. BAILEY, called and sworn.

*By Mr. Parry:*

Q. As was stated by the Chairman, you are president of the Alberta Milk and Cream Producers Association, and on their behalf are down to make representation to the committee this morning?—A. Well, hardly. I came down to attend a meeting of the federation of producers for the Dominion of Canada.

Q. To put it bluntly, you are here to speak on behalf of your association?—A. Yes.

Q. And your association represents what proportion of the milk producers of the province of Alberta?—A. Practically all organized producers.

Q. And you are here, I take it, to discuss with the committee, certain phases of the milk control bill that came into operation last year in Alberta?—A. Yes.

Q. And you appreciate, of course, that the committee have had the advantage of hearing some very concise evidence from Mr. Frawley on the same subject?—A. Yes.

Q. Will you just proceed with your memorandum?—A. I would like to explain, Mr. Chairman, at the outset, that I was requested to appear before your committee, and was asked to appear a week ago to-morrow; so it is not a case of exactly forcing myself on the committee.

The CHAIRMAN: No, I did not mean that. You say you were requested to appear. By whom were you requested?

The WITNESS: Well, the organizations which were represented here thought it would be a good thing if I could give evidence before your committee.

The CHAIRMAN: That is all right. The reference I made was simply that we had not been properly advised of the matter, and it was unfortunate that we had to break up our program in order to hear you. Had we had the opportunity of making arrangements, we would have done so without interfering with others who are here.

The WITNESS: I appreciate that. I just wanted to clear that up, that it is not a case of personally pressing myself before your committee.

Mr. Chairman, I have prepared a short memorandum which will bring the question to your attention, and with your permission I will read it: I appreciate the opportunity you have given to me to present to you from the producer's angle the question of production and distribution of milk in the province of Alberta.

Having read the evidence in the reports and findings of the select standing committee under the chairmanship of J. J. Frawley, K.C., solicitor for the Utility Board of the province of Alberta, I will try and deal with the question of the whole milk and cream problem without too much overlapping of facts and ideas already expressed.

*Conditions of Producers Prior to Order Setting the Price—*

1. Producer facing continuously lower price levels.
2. Spread being increased in distributor's favour.
3. Arbitrary price setting by distributor.
4. Ignorance of what actually happened to the so-called "surplus".
5. Surplus being used as a lever to lower prices.
6. Producers becoming retailers.

These conditions forced producers' organization to look for ways and means of control. Result,—

(1) Applied to government to amend Utility Act to include milk as an utility.

(2) Asked for an immediate investigation into costs of production and costs of processing and distributing.

What happened,—1. Government amended act making milk a utility; 2. Public investigation followed, the board sitting in Calgary and Edmonton with all factions of the dairy industry, including producer and consumer, being represented by counsel; 3. Producer discovered,—

(1) The so-called surplus was the real money maker for the distributor;

(b) That public interest was with the producer;

(c) The producer's eyes were opened to facts concerning their own business as never before;

(d) Price raise to the producer in Calgary of 45 cents per hundred pounds making the price to the Calgary producer \$1.95 per hundred pounds for what they called "city sweet milk". The price in Edmonton was raised from \$1.35 to \$1.85 for city sweet milk.

(e) Trade stabilized to both the advantage of the producer and distributor and the continuity of supply guaranteed the consumer.

*Public Utility Control.*—At this stage I wish to make the statement that the producers of whole milk and inspected cream appreciate the work and findings of the Alberta Control Board; the stabilization of the producers' price; the immediate and definite financial benefit accruing to the producer as a result of the board's orders, particularly the amount of spread returned to the producer; also the benefit to the distributors who process and distribute our product, who have, we believe, up to the present, received more benefit than the producer from the board's order. We look upon the control measures as an experiment, but a good one.

*Production and Distribution.*—The policy of our organization is that we believe the producer should receive cost plus. We believe the distributor should receive cost plus.



*By Mr. Parry:*

Q. That is what is being done, is it not, in fixing the price to-day; it is based on a cost plus basis?—A. Not yet.

Q. At \$1.95?—A. Well, that is milk that is used as bottled milk or city sweet milk.

2. The producer can determine his cost of production equally as well as the distributor. This was proven during the investigation into the costs of both branches of the industry.

3. The consumer must pay the costs of production as well as the cost of processing and distributing, his interests being protected by control boards who must always have the interests of the public mind.

4. I notice in evidence that has been submitted to your committee that the reason for there being a surplus was accounted for by the low value of other farm products. I wish to state that the numbers of producers shipping to the different plants in the cities of Calgary and Edmonton has remained practically static for the last three or four years and the increase in production, if any, is accounted for by the fact that the producer already in the field increased his production in order to secure sufficient revenue to carry on.

*Surplus.*—At the investigation in the city of Calgary, evidence was submitted by the distributors, on cross-examination, that all of the milk produced within the Calgary milk shed was required as whole milk or table cream for the consumers in the city of Calgary. This discovery immediately suggested the fact to the producer that the term "surplus" should not be used in regard to the supply within that milk shed and efforts were made to make use of the information given and a resolution was passed at the Provincial Milk Producers' Association meeting, held in Calgary, requesting a new definition of the term "surplus" and that the term "surplus" should only be applied in any milk shed where there was more milk being produced than the requirements of the consumer within that area from the standpoint of both milk and table cream.

*By Mr. Young:*

Q. What do you mean by milk sheds?—A. The area in which milk is produced for city use.

The CHAIRMAN: The same as a water shed.

*By Mr. Senn:*

Q. Of what extent is that milk shed?—A. In Edmonton, fifteen miles, and Calgary approximately twenty miles. Only a small proportion is produced outside the twenty-mile zone, I might say.

*By Mr. Young:*

Q. Are there natural boundaries for it?—A. It is a gentleman's agreement between the health board, the distributors and the producers' organizations.

Q. It is an arbitrary line drawn by these boards?—A. Yes, it is actually arbitrary in the final analysis.

*By Mr. Senn:*

Q. Do municipal regulations have anything to do with it?—A. No, not actually, although in effect they have. The health boards, of course, are anxious to bring the zone as close to the city as possible, on account of being able to carry out proper health regulations, and they are all back of the close-in supply.

Q. By that I mean the inspection of the farmers' premises; is that required by the utilities commission or the municipal board of health?—A. The municipal board of health; it is entirely within their control at the present time.

*By Mr. Parry:*

Q. You spoke of asking for a new definition of "surplus"; what is the present definition?—A. I wonder if I could perhaps facilitate matters by reading a resolution passed, and give you the picture exactly to be drawn. It is published in Calgary, Alberta, passed at a meeting of the producers held there, and is as follows:—

Whereas it has been proven by the evidence of the distributors of the city of Calgary that all milk produced within the Calgary milk shed is required either as sweet milk or domestic cream; and whereas what has been considered surplus is not actually a surplus according to the requirements of the consumers in the city of Calgary; and

Whereas we are of the opinion that this condition can be shown in most of the milk sheds within the province of Alberta; and whereas it has been proven that the distributor has made his greatest profit out of the distribution of cream; and whereas the board has set the price to the consumer, not having set it to the producer;

Therefore be it resolved that this convention go on record as demanding that the term "surplus" shall not be used where all the milk produced is required either as sweet milk or domestic cream, and that the term "surplus" shall only be used when milk within the milk shed is more than sufficient to supply the needs of the consumer within that area, when such amount over those requirements may be termed a surplus, and that the board be requested to set the price of all milk used for domestic cream purposes at a price according to what the consumer pays.

*By Mr. Young:*

Q. Is any farmer in this milk shed permitted to ship milk; if his dairy is in fit shape, could he qualify to ship milk in?—A. Not under present conditions. In the first place, the distributor won't take it; and in the second place—well, I guess the health department will inspect his premises, and he can become a producer retailer but not a shipper of whole milk.

Q. How do you qualify to ship whole milk?—A. Membership in the organization supplying whole milk has practically remained constant for the last three or four years.

Q. A sort of closed organization, is it?—A. Really it is.

Q. You have to buy in; it is like a seat on the grain exchange, you have to buy a seat from somebody else and get in?—A. You get it as a result of being in the field at the proper time.

Q. These men are going to die off; are they going to pass this on to their heirs, the right to ship milk into Calgary?—A. Well, the best way to break in, in the event of a producer selling out his herd, all of his herd, the quota or average goes with the herd.

Q. That is the way it is continued; and other farmers, or would-be producers in this area who are not in, have not much hope of ever getting in?—A. No. If they are very anxious to get in, they go into the retail field. They don't now; they used to.

Q. And set up a production system of their own?—A. Yes.

*By Mr. Senn:*

Q. What proportion of the farmers in that area—you say within twenty miles of Calgary and of Edmonton fifteen miles—are outside of the organization?—A. That would be rather difficult to determine.



Q. Is it any large percentage?—A. Yes, I would say the percentage would be in favour of those outside.

*By the Chairman:*

Q. More than half of them?—A. Yes, I would imagine so. It is a straight mixed farming area, and that is one reason why they have not gone into it; they prefer to be out of the dairy business on account of the 365 days in the year.

*By Mr. Senn:*

Q. In that article you read, you said the price was fixed to the consumer but not the producer; do you mean milk or cream?—A. Cream.

Q. The price is fixed?—A. It is fixed to the consumer.

Q. The price is fixed to the producer for milk?—A. Yes.

Q. But not for cream?—A. But not cream. I might explain that; that is the result of ignorance I would say on the part of the producers in this way, that they thought cream could not be controlled; but actually when we went into the question thoroughly we found that cream was covered by the act as well as milk, and the term "milk" applied to milk in fluid form. As soon as we became aware of that, we immediately asked for control measures for cream. We solved the cost of production if it is determined in the same way as milk, because the consumer pays higher for cream than he does for milk.

Q. What percentage of milk which is furnished at the present time is being paid for as surplus?—A. What percentage?

Q. Yes?—A. It varies according to the locality. Speaking from memory, about 29 per cent, I believe, in the Edmonton shed; anywhere from 40 to 50 in Calgary, and in Winnipeg about 15.

Q. What is the differential in price between the surplus milk and contract milk?—A. In Calgary, 72 cents to \$1.95.

Q. That is delivered?—A. Yes, delivered.

*By the Chairman:*

Q. Contract milk is \$1.95?—A. Yes.

Q. And the surplus receives only 72 cents?—A. Perhaps I had better go into that a little bit further. We were in a rather peculiar position in the province of Alberta at the time I left; and I might say this, that the board intended to adjust this difficulty and promised to do it within a few days. That is three weeks ago. It may not exist now. I am telling you what existed when I left. The actual facts were that in Calgary one distributing plant was paying 20 cents butter fat for milk separated for cream purposes, and the exportable churning price was either 26 or 28 cents. It is 28 cents now, I believe; so that the shipper at Calgary supplying cream was getting six cents below the actual exportable churning price of milk.

*By Mr. Senn:*

Q. You know definitely that this surplus milk is separated and sold as sweet cream?—A. There have been times when there has been what we call our second surplus, which is sold at churning cream prices; but on account of the rise in price, churning cream was bringing more than milk actually used for table cream purposes.

Q. Can you tell me, at the price the consumer pays for sweet cream, what the distributor would realize for fluid milk on that basis?—A. Well, I notice in Mr. Frawley's evidence that he has agreed to furnish you with those prices, and it is a very involved statement; but I can say this, it was proven by evidence and exhibits filed with the commission that the profits of the business in the province of Alberta were practically all in the cream business.



*By the Chairman:*

Q. That is profits to the distributor?—A. To the distributor.

Q. That was in the cream business?—A. In the cream end of the business.

Q. Not in the milk?—A. No; with the exception of co-operative groups, they all show losses in the distribution of milk.

*By Mr. Senn:*

Q. That was proven very definitely last year in the investigation that was carried on, that the large profits were in the sale of cream. It was only bought as milk on a butter fat basis?—A. I know very much lies in the surplus, from the standpoint of the producer at the present time.

The CHAIRMAN: Will you go on with your memorandum, and then if there are other questions that arise as we go along, they can be asked.

The CHAIRMAN: Will you please proceed with your memorandum.

*By Mr. Kennedy (Peace River):*

Q. Do you think the price should be fixed on cream to the producer?—A. Most certainly, on the basis of what the consumer pays; it should be put on an exact equality with milk.

Q. Has any action been taken to do that?—A. We have asked for that.

The Board, in setting the price in Calgary and Edmonton set the price of cream to the consumer but did not set the price to the producer, with the result that when the price of churning cream advanced, the producer of milk which was separated and used as table cream was getting anywhere from 5 to 8 cents less per pound butterfat than ordinary churning cream prices, with the result that the fluid milk producers of the Province have requested the Control Board to set the price for milk separated and used as table cream at a price according to what the consumer pays. I might suggest here that it is my opinion that similar conditions exist throughout the different provinces in regard to the cream situation.

As a result of the low price paid for milk used for table cream purposes, the producer to-day in Alberta is not getting the cost of production.

*By the Chairman:*

Q. Is not getting the cost of production for milk?—A. For cream. You see, there is a schedule.

Q. You want to get the price of table cream fixed on the same basis as the consumer pays for milk, that is, of course, based on the difference between cream and milk.—A. Yes. You see, our milk is taken in by the plants, the milk that is used for surplus just the same as milk that is used for table purposes.

Q. Yes.—A. Just to give you a picture of that, the price ranges,—well, I think in Calgary a good deal of it at a cost of 25 cents a hundred pounds hauling charge. The net price on the statement which I had in my possession when I left Calgary was the basis of the payment, 72 cents per one hundred or a net price to the producer of 47 cents.

*By Mr. Senn:*

Q. But the distributors buy all the cream from the producers.—A. Yes, they have a certain number of producers who supply the cream, in the City of Calgary for instance, inspected—

Q. And how does the price to the consumer compare with butter prices?—A. Well, in the position I have been describing to you they have been getting

about 7 cents per pound more butterfat than the shipper who has been supplying the table cream. Of course, it is a ridiculous position and I think is remedied by this time.

The CHAIRMAN: Yes. Well proceed please.

The WITNESS: As a result of the low price paid for milk used for table cream purposes, the producer to-day in Alberta is not getting the cost of production.

*Payment for Milk Used for Table Cream.*—In Calgary the price varies from 20 cents to 28 cents per pound butterfat. In Edmonton the price varies from 26 to 27 cents; in Regina 33 cents per pound butterfat; in Winnipeg 28 cents. The Saskatchewan government in an effort to control the price of milk used for table cream passed an order in council on October 14, 1933, setting the price of "domestic cream" at 10 cents per pound butterfat over the special grade churning cream. This will give your committee an idea as to the variation in prices to the producer, which are not at all justified considering the price the consumer pays is about the same in all cases.

*By Mr. Young:*

Q. Is it not a fact that cream will come in in excellent condition for churning and still would not be fit for table cream.—A. In some cities it cannot be used for table cream except it is from inspected herds and it must be pasteurized. That is not a compulsory pasteurization, it only applies to larger plants.

*By Mr. Kennedy (Peace River):*

Q. If the price is fairly uniform, that is, the price to the consumers, in the various Western cities, Calgary, Edmonton, Winnipeg and so on, how do you explain the difference in the price paid to producers.—A. It is just a question of the distributor taking the best advantage of his opportunity, that is all, making the most of his opportunity.

Q. Will you develop that a little? What do you mean by "taking advantage of his opportunity"? Is it because of bad management, or difference in distribution, or capitalization or what is it?—A. Well, I think I would like to take that up a little later on, Mr. Kennedy. In justice to the distributor in those different points in Alberta I think I had better make this explanation: After the price was set to the consumer, the butterfat churning price for special cream was 14 cents to the distributor—I am dealing with Calgary now—or a 6 cent bonus over special cream prices which made the price 20 cents per pound butterfat. They took the stand that as the Board set the price to the consumer on that basis of the price they were paying for cream that they were entitled to hold it down to that point. We took the stand that they were not, and that was the position when I left.

*By Mr. Kennedy (Winnipeg):*

Q. Were any representations made on behalf of the consumers against this fixing of prices?—A. On behalf of the consumer.

Q. Yes.—A. Practically not a word in either Calgary or Edmonton. There was some comment made through the *Free Press* in Winnipeg, but as far as Alberta is concerned there was no opposition at all by the consumer. In Edmonton the City Solicitor represented them along with Mr. Frawley, and in Calgary the Provincial Government appointed a solicitor to act in the consumers interest, but there was not a single consumer appeared to give evidence.

Q. And in the operation of this legislation which fixes prices for milk products how is it working out so far as the general public is concerned, the consumer; has any agitation against it developed to any extent.—A. None at



all with the exception, I believe, of some of the small stores whose position, you might say, was prejudiced in this way, that they have to sell a certain volume—10 quarts—before they get a special discount from the distributor. That was only in Calgary.

Q. But as far as the consumer is concerned it is quite satisfactory.—A. The consumers' attitude is this, that as long as the producer is getting the benefit they are satisfied. I think I am quite safe in saying that.

*By Mr. Senn:*

Q. Are the consumers paying more than they did before?—A. No. The actual increase as far as the consumer was concerned was the ordinary seasonal increase of one quart per dollar, but the Board gave back in Calgary 5 cents of the sum that had been taken away and in Edmonton 10 cents. I might say that that meant to our organization a sum in the neighbourhood of \$1,200 a month.

*By Mr. Kennedy (Winnipeg):*

Q. In Winnipeg the price was increased by the Public Utilities Commissioner, was it not?—A. Not over the former prices.

Q. I think so.—A. Well, but you are speaking of the time when the producers got down to 91 cents a hundred.

Q. There has been, say in the last few months, an increase in price over the then prevailing price.—A. Oh, yes. They got decided benefits the same as we did in Alberta, absolutely.

Q. In the operation of your Act do you allow a differential between the prices that will be charged to the consumer by chain stores as against the waggon price of milk.—A. Well, in Edmonton the price is 9 cents to the stores and that gives them a cent.

Q. Just explain that, please. You say 9 cents to the stores, from whom.—A. From the distributor. They get a wholesale price of 9 cents.

*By Mr. Senn:*

Q. In bulk.—A. No, buying in bottles.

Q. But they have to buy a certain number of bottles.—A. Yes.

*By Mr. Kennedy (Winnipeg):*

Q. But the price to the consumer, getting it at a chain store or getting it delivered from a waggon, what is the difference?—A. There isn't any, it is the same price, 10 cents a quart, except the stores wish to give it at cost which they don't in Edmonton. In Calgary there is a different situation.

Q. Generally, are not the chain stores permitted to sell at a lower price than other distributors of milk?—A. In Calgary the price is 8 cents to the stores on a basis of 30 quarts or over and they sell at 9 cents which is a cent lower than the waggon price in Calgary. Edmonton is in a different position. We have never had the same difficulty in Edmonton.

Q. At Edmonton?—A. Yes.

Q. But there is a difference then of one cent?—A. Yes, a difference of one cent in Calgary.

Q. So that you can get it from the store cheaper?—A. Yes, but before the order the difference was from two to three cents in places.

*By Mr. Parry:*

Q. And that was the result of an investigation by the government?—A. Yes.

Q. In respect to Calgary and Edmonton?—A. Yes, sir. By the way, I think the store situation in Calgary and Edmonton was about 5 per cent of the business.



*Processing and Distribution.*—In this field of the industry will be found the main reason for the price the consumer pays and the price the producer receives. A statement was made by one of the leading distributors, during the investigation in Alberta, that if he were to have a monopoly of the distribution in his city that he thought it would be possible to give the consumer one quart more for the dollar and pay the producer 40 cents per hundred pounds more for his milk. This would show a loss in processing and distributing of milk, paid for by the producer and consumer, of 80 cents per hundred pounds of milk. This would mean in the milk shed where this statement was made an increase of revenue to the producer on the volume of milk sold as whole milk, and in which field there are approximately 230 producers, an advantage of approximately \$100,000 in twelve months and a similar saving to the consumer within that consuming area. It is not too strong then for me to make the statement that your committee, and others who are trying to rectify the evils of overlapping, will have to look for a remedy namely in the field of distribution. The overlapping in distribution has caused the distributor, who originally had the market, having his volume cut into by both large and small distributors forcing him to increase his spread.

The distributor received very definite benefit as the result of the control measures put into effect in the field of distribution. The discounts for wholesale milk and competition in this regard were abolished. The discounts to the three and four quart retail consumers were also abolished. The contracts by tender, by large institutions were cancelled, eliminating the competition to secure these contracts at a very material saving to the distributors. Store discounts were eliminated to a degree and the business generally set on a basis of stabilization. The wagon sales, we believe, were also increased.

A factor also in the field of distribution, that reacted against the interests of the producer and the consumer, was the increased capitalization of the larger distributors, in many cases the doubling of capitalization, and the distributor attempting to pay overhead and increased salaries and interest out of the same volume of business and very often a decreasing volume, which had the result again of cutting the producer's ultimate price in many different ways.

*By Mr. Ilsley:*

Q. Are you speaking of the situation before this was made a public utility, or since it was made a public utility?—A. This situation developed before.

Q. Before?—A. Before it was made a public utility.

*By the Chairman:*

Q. It still continues, does it not, as a public utility?—A. Oh, absolutely. The field has not changed at all practically.

*By Mr. Kennely (Peace River):*

Q. Mr. Frawley in his evidence, at page 203, states:—

The board shall not be bound by any rule of law or public utility practice to see that any rate of return is provided on any plant, equipment or investment in excess of the actual value thereof for the time being.

At present, is it your opinion that the rates to the distributor are in excess of what is necessary in relation to the needs of the community, taking into consideration the value of plant, and so forth?—A. Well, we have a plant in Edmonton and a plant in Calgary that could handle the needs of the city without any trouble at all.

Q. One plant?—A. One plant.

Q. How many plants have you?—A. In Calgary four large ones and about thirty producer retailers, and in Edmonton three large ones and about forty-two producer retailers.

Q. Do you know anything about the value that is fixed on these plants?—A. That, of course, would be very difficult to give a definite figure, but I could possibly answer your question in this way; in 1928 we had a one hundred per cent producers organization and we had a distributor handling all our milk. There was only one distributor in the City of Edmonton. We were offered that plant for \$125,000 including everything, good will—everything. That plant was servicing the city although it was a rather old plant. They felt they needed a new one, and they built a new plant at a cost of approximately \$450,000.

*By Mr. Young:*

Q. After selling the old plant?—A. The old plant was sold out to different groups for different purposes.

*By Mr. Senn:*

Q. You say they built a new plant, you mean the same firm?—A. The same firm, yes, and that firm resold the plant to a Dominion Corporation, and when we approached them with regard to the purchase again, a couple of years after, it was placed at in the neighbourhood of a million and a half dollars. The volume of business had been decreased rather than increased, and I think that gives a pretty sound picture of how we lost good money. I think perhaps I had better give that picture now because I believe it is general throughout Canada. For instance we had, say, a thousand pounds a day to be paid for at city price for what they call operating necessity; that was cut off. We got the city price for ice cream milk; that was cut off. We lost in spread 25 cents a hundred pounds. Just figure this out, it is simply an enormous sum of money which the producer has lost by reason of the increased prices which have been instituted by distributing organizations coming into the field and increasing the cost of distribution.

*By Mr. Parry:*

Q. And you have not received back those concessions since the legislation came into effect?—A. No. All we have got back is the 10 cents which I mentioned and we got that from the Board.

*By Mr. Ilsley:*

Q. What does the Board base the spread on? Is it the costs of the most expensively operated plant?—A. The Board have had their auditors in the largest plant in the City of Edmonton; they are now in the largest plant in the City of Calgary, and they are trying to determine the costs of processing and distributing milk without any relationship to capitalization.

Q. What costs, some theoretical costs, or the costs of one of the largest plants actually in operation?—A. The great difficulty is, the Board have no control over ice cream for instance, and that is a big factor in all plants usually, and as a result the plants have to apportion overhead to different departments, and naturally we are rather suspicious of the amount that is apportioned to the milk department.

Q. You have four or five processing and distributing plants, as I understand it, in a city, and the Public Utilities Board is asked to allow that plant a certain spread between what they pay the producer and what they charge the consumer as a fair spread, and upon that they base these prices?—A. Yes.

Q. Well now, what is it they base that on? Do they try to find out the cheapest and best or the most efficiently operated plant and take the cost of



that plant and base the spread on that; is that what they base it on?—A. In both distribution and production they only take the very best herds in trying to determine the cost.

Q. And if there was no competition between all those plants the spread would be very much less?—A. No question about it at all. For instance, instead of a two hundred unit wagon they would have a four hundred unit wagon, and so on.

Q. In other words, your idea is that competition should be eliminated, there should be a regulated monopoly is that the idea?—A. Well, that is where we are heading for. I would say that a franchise by the city should be given to both distributor and producer organizations.

Q. Yes?—A. With a guarantee of continuity of supply and quality.

Q. That is what you would have?—A. Absolutely.

*By Mr. Kennedy (Peace River):*

Q. When was this new \$450,000 plant built?—A. About 1929.

Q. When was the million and a half asked for?—A. Between 1929 and 1931.

Q. Do you know if at present they are paying dividends on a million and a half or on \$450,000?—A. I believe they paid preferred dividends this year.

*By the Chairman:*

Q. On what?—A. On preferred stock.

Q. I know, but on how much?—A. I think it was in the neighbourhood of half a million. I cannot give the exact figures on that.

*By Mr. Kennedy (Peace River):*

Q. What about salaries and bonuses?—A. Well, we did not go into the question of salaries in the investigation at all, but that has been taken into consideration by the Board in their audit.

Q. Well, in your brief there you said something about the capitalization and salaries being increased?—A. Well, yes, for instance in this particular plant I believe there were actually two managers in place of one. The Board is making full allowance for all these things.

*By Mr. Parry:*

Q. I see Mr. Frawley in his evidence states:

that the amount of the return to the distributor shall be based upon the then existing value of his building, and not upon any previously set capital structure of the company?—A. That is right;

--A. Yes, that is definitely understood.

*By Mr. Senn:*

Q. Do I understand you to say that the Board does not take any cognizance of the distribution that is made between say the fluid milk, the cream and the ice cream?—A. They are entirely separate. The ice cream is entirely separate from the other.

Q. And do the Board just accept the company's figures?—A. They have placed their own auditors in there, and in this particular plant they were in there months, but you see you have butter, ice cream and other by-products, such as cheese, all in one plant.

Q. And did they think then that the system in vogue in different plants was a sound one?—A. Well, the only answer I could give to that, Mr. Senn, would be this, that they had an expert who had at one time been an employee with the distributor plant but who was then an employee of the government. He was overseeing the whole cost system, he was in charge of it.



Q. But they did not make any specific finding?—A. No, all they did was render an audited statement to the Board. They were not supposed to render a recommendation, just simply an audited statement.

Q. I think you said that you were suspicious?—A. Well, naturally.

Q. Why would you be suspicious?—A. Well, when there are four departments and only one is being investigated, naturally the one that is being investigated would not have any less than it should have.

The CHAIRMAN: Go ahead with your memorandum, please.

The WITNESS: Price Cutting: Before the control measures were in effect, the distributors were price cutting in the wholesale field, retail field, special contract field, and every time they cut price the reaction was felt by the producer. But one feature of price cutting that is still maintained by practically all the distributors is the adding of butterfat to milk. In 1932 the average butterfat content in the milk sheds of Calgary and Edmonton was approximately 3·5. The average butterfat content in the milk sold to the consumer varied from 3·8 to 4 among the larger distributors. The difference between 3·5 milk and 4 milk from the standpoint of butterfat value was 25 cents per hundred pounds of milk. This method of competition in order to show a deeper cream line on the milk bottle is still being practiced and is a very dangerous form of price cutting, from the standpoint of the dairy industry, and from the consumers' standpoint we are told by those who make a study of food values of milk, that a 3·5 milk is a better food product than a milk of higher butterfat content. The point we wish to raise is that the producer must, in some way, pay for that increased butterfat content.

*By Mr. Young:*

Q. How is he getting that out of the producer?—A. I think possibly it is being treated as a competitive thing and an advertising feature.

Q. Do they charge the higher price for the full per cent?—A. No.

*By Mr. Young:*

Q. How does the producer suffer?—A. For instance, there are different ways that he may suffer as the result of this; on the standard of milk, they may be prepared to pay on 4 per cent instead of 3·6, as it is now.

*By Mr. Senn:*

Q. What is the standard at the present time?—A. At the present time it is 3·25.

Q. By provincial law?—A. Yes.

*By the Chairman:*

Q. That is cream?—A. Yes, 3·4 would in Ontario, I believe, increase the content.

*By Mr. Young:*

Q. And you are afraid they will increase that and still call it milk?—A. That is one of the questions raised, I do not know whether it is better or not.

Q. You are afraid there will be a demand for richer milk, you are fixing your prices on a cost-plus basis all the way through, and you are afraid that the consumer will get a richer product for the same price; but you are still on a cost-plus basis?—A. That is the point, we sell our milk on say a 3·6 standard and we get 5 cents a point up or down.

Q. Yes?—A. Now, the average price for the product which you get on the 3·5 basis is affected by each point up or down. Now then, in some cases they are adding 5 points which is 5 cents a pound, or 25 cents on a hundred pounds of milk.

*By Mr. Factor:*

Q. Your point is that in actual practice on that basis the producer loses 5 points?—A. Oh, it is not actual; you cannot continually say he is losing that.

Q. Figuring it out on the profit, you are quite right; but can you point out any way in which the producer actually loses through the distributor making the milk richer?—A. I do not think I could,

*By Mr. Senn:*

Q. Is it not a fact that if they only distribute milk up to standard, they could possibly pay more for the milk they are buying?—A. Yes, that is one way it would work.

Q. Is not that the way the producer looks at it?—A. That is correct.

*By Mr. Heaps:*

Q. Is not the price fixed now?—A. Not on butterfat, don't you see; we do not sell it per pound of butterfat.

Q. But it is fixed by regulation, isn't it?—A. The price for milk, yes; but not for cream.

*By Mr. Young:*

Q. You say it is not on a butterfat content, hence you say you sell on 3·6—what do you mean by that?—A. You don't buy it at so much a pound butterfat, they deal with you on the basis of 100 pounds of milk. Basis 3·6 butterfat content.

Q. You pay \$1.95 for milk and that milk has to be 3·6 in order to get the \$1.95?—A. Yes.

Q. Then, you are selling 3·2?—A. No selling 3·8 and 4.

Q. Then what is your 3·2?—A. That is the minimum.

Q. Then, what is your objection?—A. It is simply price cutting by way of advertising.

Q. You do not object to advertising?—A. No—we do in that form, of course.

Q. You would not object to advertising in the newspapers by these distributors?—A. They don't advertise that way.

Q. Would you object if they did?—A. I don't know, I don't imagine we would.

Q. Instead of spending that money, say for additional cream? I cannot see how anybody suffers by that.—A. It is by adding cream to the milk, that is one way the producer-retailer gets new business; increasing the cream line, and the larger distributors have to increase the cream line as well, and if it costs him 25 cents more a hundred, it will affect the spread he gives the producer, don't you see?

Q. You say now that the producer-retailer builds up his milk, and that he has to do that to protect himself and to keep selling milk?—A. There is no limit to where it may go.

*By the Chairman:*

Q. In other words, you would prefer a standardized product?—A. A real standardization of milk, and anything above the standard set should be charged for, and dealt with, as cream.

Mr. FACTOR: You would have a standardized product, a monopoly regulated by the government.

The CHAIRMAN: Let us get along.

## The WITNESS:

*Public Interest.*—The public has been protected by the stabilization of price which, to a degree, assures,—

1. Continuity of supply.
2. Increased earning of the producers in the milk shed is immediately reflected among the consumers within that area.
3. Increased earnings enable producers to keep up necessary standard of equipment and comply with regulations of health boards.

*Producer-Retailer.*—The Board's Order definitely benefitted this section of the producers. The reason being that the effect of a minimum price was, that it was made more difficult for a producer to become a retailer because of the fact that the only way they could secure business was by cutting the price, and as the price was set, they could not very well enter the field. We would suggest that there is only one way to permanently keep the producer within the production field and that is by making the price the producer receives for production sufficient to warrant him carrying on his business. This should be done by the distributor as a matter of self-defence.

*Health Regulations.*—It is the policy of all our producers' organizations to cooperate with health boards to ensure a safer and better quality of milk for the consumer's use.

*Co-operative Movement.*—We believe that the producers in their efforts to cooperate, by the handling of their product from producer to consumer, should consider in every market,—

1. Is there already in this market a sufficient service being rendered to the consumer?
2. Is the producer getting a fair price? If both requirements are being met, leave market alone or purchase outright the existing plant or plants already in the field.

*Pasteurization.*—We believe that a definite policy of compulsory pasteurization is in the best interests of both the consumer and the producer.

*Whole Milk and Domestic Cream Specialty.*—Milk being declared a public utility, it is automatically separated from all branches of agriculture. We believe,—

1. That it should receive the same consideration as other utilities, such as light, heat, etc.
2. That the extra expense involved in the production of handling, hauling and steady supply demanded, entitles it to be considered as a separate part of the dairy industry.
3. That from the standpoint of public interest, it should be entitled to special consideration.
4. That, if the field were thrown open to cheese and butter interests, what would happen is that the producer seeking the whole milk market would not rise to the price level of that field, but on the contrary those within the present milk shed would be forced to descend to the level of the outside field or export market.
5. That you cannot compare the control of exportable or importable products with that which is produced and consumed locally.
6. That the mixed farmer to-day is in a better position than those who specialize in milk production.



*By the Chairman:*

Q. You are really interested chiefly in the whole-milk producer?—A. Specializing in it.

Q. And your contention is that the whole-milk producer is entitled to a larger measure of return than is the man who is in the cheese or butter branch of the industry?—A. When you take into consideration the labour and the money involved in the production of fluid milk—

*By Mr. Senn:*

Q. And the sanitary requirements?—A. The sanitary requirements in particular.

*By the Chairman:*

Q. Yes. Well then, put it this way; is it your contention that the present set-up in Alberta does not give the whole-milk producer any undue advantage over his fellow producer of cheese, butter, and such products?—A. Yes, I certainly think that, when comparing all the matters involved.

*By Mr. Young:*

Q. You gave us figures a few minutes ago which would seem to indicate that the whole-milk producer was soon to get \$400 a year more for his milk than he did?—A. I said he would, providing he got the 40 cents extra which it was suggested could be given by the monopoly.

*By Mr. Ilsley:*

Q. Why do you say he is entitled to a larger return for his labour than the man who is producing butter, or cheese; do you say that that is because more skilled labour is involved?—A. Yes; well, there is certainly experience required that is not required in other branches. The main thing is this, he has got to carry a surplus in order to guarantee a supply to the trade. I am speaking in the old way of surplus. He has got to carry that, and produce it 365 days in the year. The dairy man works I think on the average at least 4 to 6 hours a day more than any other branch of agriculture; he has got to in order to keep up his production.

Q. I mean, the supply of milk to the consumer?

Mr. FACTOR: The supply of fluid milk.

*By Mr. Ilsley:*

Q. The supply of fluid milk to the consumer?—A. He does not know just what the supply would be, and he is actually penalized by the distributor.

*By the Chairman:*

Q. Mr. Bailey, I am afraid you are confusing the distribution part of it with production. What I had in mind was this; here are two farmers near Calgary, one produces milk for fluid distribution, and the other produces milk to be delivered to the creamery for butter?—A. Yes.

Q. Now, under the present law, the fluid milk producer gets a larger price for his milk than the one who delivers to the creamery?—A. In that picture you have got to take hauling 25 cents; you have got to take the skim milk which is of value on the farm for the production of pork, for instance, at 25 cents; and when you take these two factors, compare it with the price the producer is receiving in Calgary for milk daily, you will find that on the basis of the production of milk alone, he is as far ahead without any consideration for any other branch that he may be developing on the farm.

*By Mr. Senn:*

Q. But he has to observe higher sanitary methods in production?—A. Absolutely, and it is a very considerable expense.

Q. His premises are inspected periodically, are they?—A. Yes; and of course he pays a licence—it is not a very big factor, \$10 in the Calgary area.

Q. Do your producers have a binding contract with the distributor as to the amount of milk furnished from day to day by the producers?—A. We have. I think perhaps I will stick to the Calgary system. We have a quota determined as the result of an arrangement between the producer and the distributor. This quota was based on a three year average of the producers. If the distributor sells the full amount of that quota spread over the whole group of producers, then he is paid \$1.95 for the whole of his quota; but if they sell 25 per cent below that quota, then he takes off that 25 per cent. Here is the system worked by one plant; they have an arrangement so that if any producer produces less per day than his quota, the amount that he produces less is added to the quota of those who keep up to their average, do you see. He is hurt both ways. And then they take the surplus. That is the system of quota that is actually in practice.

*By Mr. Parry:*

Q. Do you think you are going the whole length when you are isolating whole-milk as a subject of its own, and leaving it in a water tight compartment, away from all the other products?—A. I think so.

Q. What I have in my mind is this, that one of the problems with surplus milk would be to control the supervision so that it could be distributed to make the export products; also dovetailing in with your own particular farm producers' organization?—A. The control of any production of the bulk of requirements on the field would naturally have to take in the export field, and we would have to take what it would bring.

*By Mr. Senn:*

Q. Would you say that all the milk distributed as fluid milk is paid for at the city price?—A. We have had no reason to doubt our distributors at all in that regard.

*By Mr. Heaps:*

Q. Have you any idea of the quantity of surplus milk there is?—A. That all depends on the particular shed; I know, for instance, of at least three or four where there is not any actual surplus at all.

Q. So far as your own knowledge of the business is concerned, do you know approximately the amount of surplus milk there is?—A. We are speaking now from the standpoint of the market used for manufacturing purposes, and I would say that it would not amount to more than 5 per cent possibly in Alberta. That is just a rough estimate, but I think it is pretty close.

Q. Five per cent of the total production of milk is considered surplus?—A. Yes—as churning cream, I am considering churning cream as surplus.

*By Mr. Kennedy (Peace River):*

Q. What about the cost to the producer; do you think the present price is returning the producer his costs and fair wages?—A. No, it is not. The return that goes back to the producer—it makes no allowance for capital at all.

Mr. FACTOR: Do you mean the present price fixed by the board?

*By Mr. Kennedy (Peace River):*

Q. Yes, the price they are getting in Alberta?—A. I am answering that question taking into consideration the price paid for surplus at the present time.

Q. What the producer gets?—A. Yes.

Q. Can you give us any figures on that?—A. Just roughly; the average price paid in Calgary is 144, that is the last statement that I had which I was just looking at, at one of the larger plants.

*By the Chairman:*

Q. That is the average?—A. That is the average over all, \$1.44.

Q. And that was over the month?—A. That is for two weeks; put in every two weeks.

*By Mr. Factor:*

Q. Including surplus?—A. Including surplus.

*By the Chairman:*

Q. Taking the surplus at a low figure, and the other 95 at the fixed?—A. Yes, within a cent; but it is the same in Edmonton. Now, the price which we submitted, without any allowance being made for capital, or owner-control and management, was \$1.50 over all.

*By Mr. Factor:*

Q. Over the cost of production?—A. Yes; and that included from 37 herds an average production per year of 7,335, I think.

*By Mr. Kennedy (Peace River):*

Q. That was the average?—A. Yes, and the herds—

*By Mr. Factor:*

Q. The figure is not \$1.95, the surplus affects that?—A. Surely, and that is the part of our product that is bringing the most money, and the consumer pays the most for.

Q. You told Mr. Heaps just now that surplus was 5 per cent of the total production?—A. I was talking of the actual surplus in the export production—five per cent of that going into the manufacture of butter.

Q. What is the percentage of the surplus that constitutes the relation to the total production?—A. Considering table cream as surplus?

Q. Treating it as surplus, and on the basis of demand?—A. On the basis of demand, in Calgary 50/50, and Edmonton 30/70.

Q. In other words, in Calgary you get the low price for 50 per cent of the total production?—A. That varies of course, according to sales.

*By the Chairman:*

Q. But then that surplus is used for the production of table cream?—A. Certainly.

Q. And you do not as producers get any advantage from the price secured for that table cream, and that is your chief complaint about the way it is at the present time; but you say that is being mitigated?—A. I think that will be corrected to a degree.



*By Mr. Kennedy (Peace River):*

Q. Were the figures on the cost of production challenged by anybody?—

A. Only in the ordinary way, the distributor did not relish the idea of the producer being able to determine costs.

*By Mr. Heaps:*

Q. Might I ask this question: how much surplus goods do you produce in relation to the market?

Mr. KENNEDY (Peace River): Do you mean in Alberta, or for the whole of Canada?

An Hon. MEMBER: His own bailiwick.

The WITNESS: You speak of markets for our particular milk shed?

Mr. HEAPS: Yes.

The WITNESS: About five per cent, I would say, would absolutely cover it.

Mr. FACTOR: Apparently there is a conflict in the term "surplus."

The CHAIRMAN: The non-saleable surplus, what cannot be disposed of.

The WITNESS: The amount diverted for churning purposes I am referring to; 5 per cent.

*By Mr. Heaps:*

Q. So that you have 5 per cent of goods you have no market for?—A. No, no; we get the churning price.

Q. Then you have no actual surplus?—A. It is all utilized.

Q. It is all utilized?—A. Yes.

*By Mr. Kennedy (Peace River):*

Q. Yesterday there was some suggestion made about the disposal of old cows, and so on, the past fall on the beef market; can you tell us anything about that?—A. Of course, most dairy cattle are not beef cattle. When we have to sell them, we have to take the usual cannery price, and it ranges from 35 cents to say 50 cents per 100 pounds, barely pays for truck haulage on an ordinary 10-mile haul.

*By the Chairman:*

Q. Pretty poor stuff?—A. Yes, exactly. Of course, they use everything in the plants.

*By Mr. Kennedy (Peace River):*

Q. Do you know what they use that meat for?—A. No, I would not like to suggest.

Mr. FACTOR: Sell it to some camps in British Columbia.

*By Mr. Kennedy (Peace River):*

Q. Would the price the farmer gets from the canners buy a hide back from the plant?—A. I doubt it very much.

*By the Chairman:*

Q. He ought to skin it at home?—A. He should now, at the price of hides.

Q. Let us get along?—A. I notice a question was asked Mr. Frawley in regard to the store price of milk.

The average storekeeper receives a cent per quart for handling a quart of milk over the counter. It was suggested that the storekeeper might not be receiving enough for the handling of milk to enable him to pay a decent wage to his employees. It has been proven that the distributor in many cases is not receiving the cost of production. Other branches would be very glad to show even a one-cent basis for their share of the profit. Further, if the wagon price is the only method by which the consumer can be served properly, then we feel that no consideration should be given the stores for handling milk, and they should only handle it as a special accommodation feature when the consumer is unable to secure it otherwise.

*By the Chairman:*

Q. May I ask a question there: Are you quite clear in your own mind that the door to door delivery must be the continuing method of distribution of milk?—A. I think it is the only system possible.

Q. I mean, there is no question of it?—A. No question at all.

Q. In your mind?—A. No question at all. We have absolutely endorsed the distributors' argument in that regard.

Mr. FACTOR: What about this point, where distributors have four or five or six wagons on the same street, delivering?

The CHAIRMAN: That comes under that problem; no doubt of that.

The WITNESS: There is no question that if you can solve that, you have solved the producers' price and you have solved the consumers' price.

*By Mr. Ilsley:*

Q. You would solve that by monopoly?—A. It is the only way; or by agreement, distributors' agreement.

*By the Chairman:*

Q. They had it solved in Ottawa here fifteen years ago?—A. And we had it five years ago.

Mr. KENNEDY (Winnipeg): I think the same thing happens with laundries and dry cleaners, and every other class of business.

The CHAIRMAN: No.

The WITNESS: It is not the same thing as milk.

Mr. EDWARDS: They are not perishable products.

The WITNESS: The human element enters into milk.

*By Mr. Kennedy (Winnipeg):*

Q. It is just the same thing, surely. Does not the same practice obtain in other businesses?—A. I would not say so.

Q. Where a half a dozen serve a street?—A. You mean with regard to over-lapping?

Q. Yes?—A. Oh, surely.

Q. It is a question of degree.

The CHAIRMAN: One goes to every door.

Mr. KENNEDY (Winnipeg): You can't get down to every second or third door and regulate them all, surely.

The CHAIRMAN: Go on, Mr. Bailey.

The WITNESS: All right. Control measures—of course you will realize that the part of this I am reading now is within the power of the provincial government.

*By Mr. Factor:*

Q. It pretty nearly all is?—A. I think mostly.

Control Measures: We would recommend that control boards be given increased powers.

1. That they be given authority to licence producer, distributor, stores, with power to suspend and cancel. In this way the production and distribution of milk could be controlled by the board without recourse to court procedure. I think Mr. Frawley mentioned about a case in Edmonton.

2. Legislation providing producer organizations with power to levy and collect on all their product, where an organization exists controlling up to 75 per cent of the product in that particular field.

3. Legislation making it compulsory for all distributors and processing plants to place in their plants automatic scales which register and mark weights.

4. Providing for standardization of butter fat content in milk.

5. Provision made for uniformity in control measures throughout the Dominion.

6. Control measures to apply to all milk used for table cream purposes, and price be set to producer according to what the consumer pays. It may be that the only solution to the producer-consumer problem will be a monopoly by way of franchise to both distributor and producer organizations.

If I might be permitted to make a suggestion in conclusion of this memorandum to the effect that I believe governments should assist producers' organizations by passing legislation as they, the groups, see their requirements as a result of knowledge they possess of their own particular business and make provision for producers' organizations to execute legal contracts from the standpoint of local arrangement, and assist them to finance within the industry, make that financing possible by legislation. All dairy farmers need is the power to work out their own salvation within themselves. Potential leadership is within all agricultural groups, but has not found expression within itself as a result of its inability to control and run its own business, through lack of power by legislation that lies within the power of governments to furnish.

*By Mr. Ilsley:*

Q. Legislation in provinces?—A. For instance, under the New Zealand act, where they could make a definite levy on every pound of butter. I think it was Mr. Fulton of New Zealand who last week made the statement when they wanted a fund for advertising purposes, they got £25,000 by making a special levy.

Q. Give the producers' organization the privilege of imposing taxation upon its members?—A. It really is indirect taxation.

*By Mr. Young:*

Q. A tax not only on its members, but non-members as well?—A. Well, where the controlling interest lies inside the organization, they should be empowered to bring the rest in, because they are working in the interests of them.

*By the Chairman:*

Q. What you want is a compulsory pool arrangement, really?—A. Well, not in the ordinary sense that pools have been considered in the past. We don't want to compete with private industry.

Q. But you want to have it compulsory that all in the industry shall come into the organization?—A. All of the producing members, or say 75 per cent, lined up with an organization, and determining for the rest, with the authority to act, what would be for the mutual benefit of all.

The CHAIRMAN: Are there any other questions? We must try and get along.



*By Mr. Kennedy (Peace River):*

Q. With regard to some of the other cities where they have not public utility control of milk, are the consumers getting a better deal than they are in Edmonton and Calgary, or do you know? Are they paying more for their milk?—A. No.

Q. Are they getting better milk?—A. No.

Q. Poorer milk?—A. I would not say that.

Q. Are the producers getting any better deal?

Mr. ILSLEY: Your question is not clear. You ask whether they are getting more for their milk. Where?

Mr. KENNEDY (*Peace River*): There are cities in the west where there is control. Edmonton and Calgary; and there are cities where there is no control, as I understand it.

Mr. ILSLEY: Yes.

*By Mr. Kennedy (Peace River):*

Q. That is, public utility control. I am asking if the consumer in the places where you have open competition without public utility control are getting milk cheaper than the cities where they have control?—A. Where there is control, the producer is getting the better deal.

Q. What about the consumer?—A. Oh, the consumer is practically paying the same.

Q. Practically paying the same?—A. We have it right in Alberta.

Q. Is there any advantage from the standpoint of the health of the community where you have control, over the place where you have not control?—A. It has a big advantage with the consumer.

Q. You say it is better?—A. A definite advantage.

Q. A definite advantage from the standpoint of health?—A. Yes.

*By Mr. Kennedy (Winnipeg):*

Q. You can have health control without price control?—A. Yes. I get what you mean now. Do you mean that the utility board is affecting the quality of milk?

Mr. KENNEDY (*Peace River*): Yes.

The WITNESS: No, I would not say that; but in Winnipeg, I believe, the board are considering issuing licences or have done so. I think it is just in process.

*By Mr. Ilsley:*

Q. I wish you would not get away from that first question, is the consumer paying more where you have control or is he not? The producer is getting a lot more, apparently?—A. Dealing with the consumer now, directly—

Q. I am talking about the consumer?—A. I will answer that in this way, that in Medicine Hat, where there is not control, at the present time the consumer is paying 10 cents and the producer is getting \$1.80.

Q. Talk about the consumer now. You are just confusing it. The question was about the consumer, and you said something about practically the same?—A. Well, answering it this way, the price the consumer pays in other cities in Alberta where there is not control is the same, 10 cents per quart.

*By Mr. Heaps:*

Q. For the same quality of milk?—A. Surely.

*By Mr. Edwards:*

Q. Do they pasteurize in those independent towns?—A. Yes, in the two I have referred to, Medicine Hat and Lethbridge.

*By Mr. Ilsley:*

Q. You say the producer gets less, yet the consumer does not pay more?  
—A. Surely. The spread is decreased.

Mr. FACTOR: What happens in those cities where there is no control?

Mr. KENNEDY (*Winnipeg*): It is the same.

*By Mr. Kennedy (Winnipeg):*

Q. The producer gets less; who gets the spread?—A. The distributor.

*By Mr. Ilsley:*

Q. The effect of this legislation was to cut down the profit of the distributor?—A. Yes.

*By Mr. Young:*

Q. When you say they pay 10 cents at Medicine Hat, that is 10 cents delivered at the door; what is it in the store in Medicine Hat?—A. I could not tell you.

Q. You don't know whether it is the same in Calgary?—A. I don't know that there is very much store business there.

*By Mr. Kennedy (Peace River):*

Q. Is there better control of the quality of milk under the Public Utility regulations in Alberta, say in Calgary and Edmonton, than in other cities where there is not that public utility control?—A. It is controlled from the standpoint of the municipal health board, and there is much better control in Calgary and Edmonton than in Lethbridge and Medicine Hat.

Q. Is that due to the municipal authorities alone, or is it due partly to the public utility control?—A. Due entirely to the municipal authorities.

*By the Chairman:*

Q. It is a health matter, separate from this other feature?—A. Yes.

*By Mr. Kennedy (Peace River):*

Q. There is another point, Mr. Bailey; you mentioned several times that as the producer got better prices for his milk, he was able to provide better equipment; does that make it easier for the health authorities to guarantee to the consumer in these cities, Calgary and Edmonton, a better supply of milk?—A. Surely; it has a real definite effect in that regard.

*By Mr. Ilsley:*

Q. What percentage is the distributor permitted to earn on the fair value of his property, assets and undertaking?—A. Up to date that has not been considered at all. They have not gone into the question of capitalization, or even overhead.

Q. They are making a wild guess at it then, are they not?—A. Yes.

Q. It is not on a scientific basis at all?—A. Of course the statements submitted by distributors over their whole business have shown a profit.

Q. In order that you will understand what I mean, in the province that I come from, there is a provision of the Public Utilities Act that a public utility shall be entitled to earn only an amount equal to 8 per cent of the fair value of its property, assets and undertaking. That is the basis of the price in our province, the public utility price?—A. The distributors have not asked for it yet in the province of Alberta, and there has not been any real consideration given to it.

Mr. FACTOR: How do they fix the price of \$1.95?

Mr. ILSLEY: On a wild guess, he says.

The WITNESS: Well, perhaps this was taken into consideration; they show a definite profit over all.

*By Mr. Kennedy (Winnipeg):*

Q. It was a matter of negotiation, was it?—A. Well, really, I think it was an arbitrary figure. The distributor would like to have held us to \$1.65, which we would have sold for.

Q. The producer would like to have got more than \$1.95 and you compromised on \$1.95?—A. The basis we asked for was on the basis of the consumer paying 10 cents per quart. We asked \$2 per hundred or a fifty-fifty basis. We used to get that, or a little more.

Q. Without all this explanation, does it not come down to this: That in arriving at the fixed amount, the producers wanted more and the distributors wanted to pay less, and you arrived at a compromise, not on a scientific basis but on a basis of compromise?—A. No, it was not a compromise; it was an arbitrary figure set by the board.

*By Mr. Kennedy (Peace River):*

Q. How much would you have to get in order to get cost plus; you mentioned that?—A. Well, we would have to get in the neighbourhood of \$2 per hundred pounds.

*By Mr. Factor:*

Q. You get \$1.95?—A. No. \$1.45.

Q. Including surplus?—A. Yes.

*By Mr. Young:*

Q. You would not be satisfied with a 40 cent increase?—A. Well, it would be an awful help.

Q. Still you would want 16 cents more?—A. That applies to any business.

Mr. FACTOR: That is human nature.

The CHAIRMAN: We will have to try and get a little progress, if we can. Are there any more questions? Thank you, Mr. Bailey.

The witness was discharged.

C. W. HAMBLY, called and sworn.

*By Mr. Parry:*

Q. Mr. Hambly, you are a member of the local legislature in Ontario for the counties of Lennox and Addington?—A. Frontenac and Lennox.

Q. Residing in Napanee?—A. Yes.

Q. And you are by occupation a drover?—A. Yes.

Q. And have been for how many years?—A. I have been for between twenty-five and thirty years.

Q. And specializing in hog shipments?—A. I have shipped hogs for about twenty-five years, perhaps a little over.

Q. You have shipped hogs for twenty-five years; and is it not a fact that it is customary to ship live stock products from points east of Belleville to Montreal, in the main?—A. Well, it is of late years. It did not used to be so much so as it is of late years.



Q. But of late years you have been shipping a considerable proportion of your stock to the stockyards in Montreal?—A. Yes, of late years; all the stock that I ship, unless it is once in a while a load of cattle has gone to Montreal or sometimes hogs have gone up to Hull.

Q. To Hull, Quebec?—A. The Canadian Packers at Hull.

Q. The committee learned from a witness yesterday that up until last summer—that would be early in the summer of 1933—in connection with the marketing of hogs, the purchase of hogs on the stockyard was at a flat rate; that is to say, the only differential would be a dollar for selects?—A. Yes, Montreal has been that way for some time until very lately.

Q. Do you remember the change in the method of settlement coming into operation last year?—A. Well, yes I do, to quite an extent. It got so later in the summer of last year that you were being docked 25 cents a 100 for your light hogs, and apparently it was about that until very lately.

Q. By very lately do you mean within the past month, or during the currency of this month?—A. I would say within a month.

Q. And have you any particular instance in mind which you can refer to where the differential was decidedly increased?

*By Mr. Ilsley:*

Q. You were docked from your bacon prices?—A. Yes, the lights, what they call lights or under 160 pounds.

Q. That would be 25 cents a 100 pounds?—A. Yes, 25 cents a 100.

Q. Less than the bacon hog price, is that correct?—A. Sometimes 50 cents a hundred.

*By Mr. Parry:*

Q. Was there any particular medium—taking Mr. Ilsley's question—of knowing what you were to be docked as a differential?—A. No.

Q. Within the past few months?—A. No. You found that out after you got to market.

Q. You took what you received?—A. Yes, we took what we could get.

Q. You just stated that in March of this year there was apparently a large increase in the application of differential schedules?—A. Well, we were notified by the packing house at Hull that there was going to be at their yard, at their packing house, a different plan or scale under which they would be docking butchers, lights, heavies and extra heavies.

Q. Now, did you in this month send any shipments to the stockyards at Montreal?—A. Yes. Being at the House in Toronto I did not have a chance to be home, but I was home on the Friday, and on Friday morning I was told by a commission man in Montreal that I had better not ship any hogs. That would be around the 10th day of March. I always used to ship on Saturday. Saturday came on the 10th and he told me I had better ship no hogs at all, but some fellows who usually buy for me had some calves, so that I was in a position where I had to go and load the calves anyway. While I did not care to buy any hogs there were some farmers who usually had sold to me who wanted to get rid of some so I thought perhaps I would take a few as I would likely have a load and in that way I could take a deck of hogs and calves.

Q. And you did ship?—A. Yes, I shipped on the 10th. I sent out a price of 8½ cents for the good hogs.

Q. First of all, will you tell us what the quantity was that you shipped on the 10th of March?—A. 105 hogs and two sows.

Q. Have you your invoices and statements with you?—A. Yes.

Q. You might have those in front of you in going over the particulars. Now, this shipment was a shipment of 105 hogs and 2 sows. And how did you grade them for the purposes of shipments?—A. Well, I just graded them as I had been grading before, and I sent out my price of  $8\frac{1}{2}$  cents.

Q. Is that for bacon hogs?—A. For bacon hogs, yes, plus one dollar for selects.

*By Mr. Parry:*

Q. How many selects did you grade?—A. I was paid \$12 for selects.

*By Mr. Ilsley:*

Q. \$1 per hog?—A. Yes.

*By Mr. Parry:*

Q. And you graded some selects then in that particular shipment?—A. Yes.

Q. What other grading did you make?—A. Well, I just did as I always had done, just as long as I had my number of selects, in fact, I generally considered that I would try to have more, one or two, but sometimes I had less than that.

Q. You mean to say that your practice then was to put in more selects than were actually paid for in the stockyards?—A. That is the trouble with the grading of hogs. The farmers receive back from some department the number of selects that would be in my load, but as I say I generally tried to put in one or two more, that is, I generally paid for more selects than I received pay for at the market.

Q. Will you just follow that shipment through from your records?—A. Well, on that date, March 10, I shipped 105 hogs and 2 sows. The hogs got to the market on Sunday and on Monday there were sold 49 hogs at  $9\frac{1}{4}$ .

Q. By the way, were those particular hogs sold to the packer or to the small buyer?—A. They were not. As I understand it, we could have sold the whole bunch of hogs to the Canadian Packers if we would take  $9\frac{1}{2}$  for our bacon plus a dollar for five selects.

Q. Five selects of what you had graded as twelve?—A. Yes. The price for the lights would be 9 cents. I cannot just tell you how many, but I would suppose there must have been about 29 butchers hogs that they were going to pay  $9\frac{1}{2}$  cents for.

Q. Is that the general price?—A. Well, that was what they were trying to put in force through the packing house.

*By Mr. Ilsley:*

Q. That is the differential you are talking about?—A. Yes.

*By Mr. Kennedy (Peace River):*

Q. What would the average of the hogs be?—A. Butchers hogs weigh from 160 to 235 pounds.

*By Mr. Factor:*

Q. That differential has existed for sometime, has it not?—A. No, not in Montreal.

Q. It was only 25 to 50 cents before?—A. No, there was no difference in Montreal between a bacon hog and a good butchers hog.

*By Mr. Parry:*

Q. Until last summer when there was a demand made.

The CHAIRMAN: Until a couple of weeks ago.

The WITNESS: I never heard of anything of the kind until they began to talk this on the 10th of March last.

*By Mr. Parry:*

Q. But you were paid the differential last summer that you had never been paid before.—A. On lights, yes. With regard to those light hogs frequently they were sold at the same price that our bacons were.

Q. Now, will you just go on and follow that shipment through. You have told us about the first lot, I think you said 49, that were sold?—A. 49 were sold at  $9\frac{1}{4}$  and they were sold on the 12th. There was nothing more sold that day except the sows which were sold for  $7\frac{1}{4}$ . I was in Montreal that day and stayed until night because I was watching that shipment. Then on the following day, Tuesday the 13th of March, they sold in one bunch 15 hogs at  $9\frac{1}{4}$ .

*By the Chairman:*

Q. The same price?—A. Yes. Then they turned round a little later and they sold 14 more at  $9\frac{1}{2}$ . That left me then with 27 hogs, 5 of which were my selects. I was told by the commission man, Mr. Marr, that he never got another bid for my better class of hogs that week.

*By Mr. Parry:*

Q. And you kept them there and fed them there that week?—A. They were fed there at my expense.

*By Mr. Kennedy (Peace River):*

Q. You could not get another bid for your selects?—A. No.

Q. I thought that was the only hog the packer wanted?—A. The packing houses certainly do take that kind of hog, but I will tell you this, the packing houses won't buy my selects away from the rest of the hogs. This is an illustration, if they cannot get my light hogs and my other hogs at their price they would not buy my bacon hogs and my selects at all, and I think you will find that to be the case in every instance. I would like to make another statement if it is not out of the way. The same thing applies to lambs. For instance, we will say you have a good load of lambs and that there are ten buck lambs and the season comes when they will not take the buck lambs among the ewe lambs. If you take your buck lambs out they will not buy your ewe lambs.

*By Mr. Parry:*

Q. For domestic purposes, is there any difference between the buck and the ewe lamb?—A. I don't think so, I never knew of any.

Q. And if you take your buck lambs out they won't buy your ewe lambs?—A. That is right.

Q. And are you penalized for the buck lambs?—A. Well, they will buy your lambs and weigh them all up and for every buck lamb that you have got in the load they deduct \$2 a lamb.

*By Mr. Young:*

Q. Unless they can get them all they won't buy any?—A. That is so.

*By Mr. Factor:*

Q. That is your personal experience?—A. Yes.

*By Mr. Parry:*

Q. What you say is, that you carried these selects in the stockyards at your expense without even having had a bid for them?—A. I think they got in there on one Sunday and did not sell them until Monday the week following.



*By Mr. Factor:*

Q. Who did you sell them to?—A. Those hogs were sold to Mr. McGarry, a smaller packing house than the Canadian Packers.

*By Mr. Young:*

Q. Were there no bids all that week?—A. There never was a bid all that week.

Q. There wasn't a bid of any kind?—A. No, there wasn't a bid of any kind.

*By Mr. Factor:*

Q. On the balance of your shipment?—A. Well, I was not there but the commission man—Mr. Marr—said there was no bid made.

*By Mr. Kennedy (Peace River):*

Q. Who bought the hogs that were sold?—A. The hogs that were sold on the 12th of March, that was on the Monday after they got there on the Sunday, were sold to a man named Goodman Fox. He is a Jew, a very decent fellow too.

Mr. FACTOR: Dealing in hogs?

Mr. PARRY: We should investigate that matter.

*By Mr. Factor:*

Q. Is he one of those speculators?—A. There were 49 sold that day. The two sows were sold to the Canadian Packers, and those were all the hogs that were bought from me that day. On Tuesday the hogs that were sold were sold to a fellow—I suppose he is a Jew—named Ctovsky. That is the way he spells his name. He paid  $9\frac{1}{4}$  for them on Tuesday; that was 15 hogs. 14 hogs were sold to McGarry. As I say, McGarry is a smaller packing house than Canadian Packers.

Mr. FACTOR: I wish you would leave out the nationality of these people, it is rather embarrassing.

The WITNESS: There is not much disgrace in being a Jew because they always have the money.

Mr. FACTOR: I am going to take issue with you on that.

*By Mr. Parry:*

Q. What did you receive for the last shipment of your selects?—A. The last shipment was kept there that length of time and they sold 27 hogs weighing 5,030 pounds for 9 cents.

*By Mr. Young:*

Q. And your selects were among them?—A. My selects were amongst them; they got my lights with the 5 selects and they were sold to McGarry who had bought 14 hogs the week before.

*By Mr. Parry:*

Q. Now, have you compared the price which was offered to you by the packing house with the money actually received by you in selling through competitive sources by grades?—A. For this load?

Q. Yes?—A. Yes.

Q. And what does it show?—A. Well, if the hogs had sold on the 12th of March at their prices I would have lost money.

Q. You would have lost money?—A. I would have lost a little money, yes; keeping the hogs a week and selling the butcher hogs and the light hogs as I did I got out with somewhere between \$25 and \$30, not all on my hogs, because I had a double deck. The calves made me \$103, so on my shipment I was ahead somewhere about \$30.

*By Mr. Factor:*

Q. You lost on the hogs?—A. The hogs would lose me money that way, but I would have lost a little more money selling the week before.

*By Mr. Young:*

Q. The last sale you made was the sale of 27 hogs and you say your selects were included in the 27?—A. These 27 hogs along with the selects were hogs that the packing houses ought to buy, but it looked to me as if to get square with me they just let me keep the hogs there till they eat their heads off.

Q. Why would they do that?—A. Because I had sold my lighter hogs and butcher hogs away from them.

Q. The first day you went in the packer would have bought your entire carload?—A. Yes, that is the way I understood it. The 9½ would be only for 27 hogs.

Q. And you had 49 bacon hogs in your car?—A. No, 49 light hogs. They were hogs that averaged less than 160 pounds, but outside of being light they were nice and round, and well finished hogs.

*By Mr. Kennedy (Peace River):*

Q. And the farmer gets about 25 for light hogs?—A. Yes, I had paid the farmers 25 for light hogs.

*By Mr. Parry:*

Q. What would you say as to the use of butcher hogs for domestic purposes as contracted with bacons and selects for local domestic consumption?—A. Well, I know that in our town if the butchers there are buying hogs for the domestic trade they do not want the heavy hogs. They want a hog that will weigh about 150 to 160 or 175 pounds.

Q. What you would characterize as a light hog?—A. Yes. The light hogs that are well finished in our town are butcher hogs.

Q. And is there any distinction, to your knowledge, in the price which the butcher pays for pork? I am talking now of what the butcher pays for pork.—A. The butcher first generally inquires what we are paying for hogs and, of course, he tried to buy the hogs he wants in accordance with the price that we are paying for hogs.

Q. That is not my question. I am trying to find out if there would be a possibility of the butchers buying light pork in preference or alongside of the bacon and selects and paying the same price in the market?—A. As far as that goes, the butchers in our town, for cutting up, would not buy these selects and good bacon hogs. A bacon hog has to weigh from 180 to 235 or 240 pounds.

*By Mr. Senn:*

Q. Do you know what the preference is in Montreal?—A. On the market?

Q. Yes, do the butchers in Montreal prefer a light hog or a heavy hog?—A. Well, I think the butchers in Montreal try to buy for their trade the light hog, and of course, a butcher hog is defined in their manifesto for grading hogs as weighing from 160 to 235 or 240 pounds. Now, they want to dock you a dollar for a good butchers hog. I have watched them grading hogs and, in my

experience, the butchers hog will be put right among your select hogs. Of course, a butchers hog has not got to weigh up to 180 or 190 pounds to be a select, but has to weigh from 160 pounds up to that. Of course, he can go up to 240 pounds. What makes a select hog is a good type of bacon hog, a long hog, quite well finished just as your bacon hog which is fatter and makes him bigger and heavier in the shoulder than the select hog, and I claim if they are going to dock you for your butchers hog, especially where you have so many selects in a deck of hogs, a portion of them will be called butcher hogs and you will be docked a dollar instead of being paid a dollar premium. That is my claim.

*By Mr. Kennedy (Peace River):*

Q. Your claim is that they are grading hard, is that it?—A. Yes.

*By the Chairman:*

Q. Do you think the desire to buy a load all together, that is, selects, bacon hogs, and lights and heavies, is because it is possible to use what normally would be graded butchers for Wiltshire sides as bacons or selects?—A. Well, I think what the packing houses want most—and it is just my opinion—is to get the light hogs for this reason, as I understand it; I am not saying this is true, but as I understand it, in Montreal there are not the number of buyers going on the market that there used to be and the reason is partly this, that the packing houses say, “buy your light pork off me, I will sell you these light hogs cheaper.” You can go on the market and buy those hogs and send them to the Montreal abbatoir and have them killed. Now then, they fixed this so that they are going to buy your whole load of hogs and they sell back to the small buyer off the market which is to their advantage and they have him as their customer.

*By Mr. Parry:*

Q. And you have noticed that the small buyer in Montreal is decreasing?—A. The small buyer is getting scarcer in Montreal.

*By the Chairman:*

Q. That would turn a competitor into a customer?—A. Yes. I think I am telling you what is true.

*By Mr. Kennedy (Winnipeg):*

Q. I understood you to say that for the Montreal market it is the light hogs they want there?—A. Not necessarily, it is the hog that the small buyers—the butcher fellow wants; he is usually trying to buy a little lighter class of pork than what the packing house is.

Q. The other day Mr. McLean, giving evidence here, along the same point, he was asked:—

Q. Take, for instance, in the Montreal market, do you find there is a larger price paid for heavy hogs;

and the answer is:—

A. Yes. Most of the heavies get there;

and he goes on there a little further down to say:—

Q. But they pay more proportionately for heavies?—A. Yes, I think so at most times of the year.

He gave the impression that you could get a better price for heavies in the Montreal market than you could for the lighter classes?—A. There is this, if you have hogs that weigh over 240 pounds he is a nice hog. I cannot say



whether they would pay as much, but they dock you 50 cents less a hundred than for bacon; when he weighs over 270 they pay \$1 a hundred less for him; so that you see if a hog is a little past weight and they want to dock you, they will dock you.

Q. I am not questioning your evidence at all, it is just to clear it up. Your experience is they dock you because of their being heavy?—A. Yes.

Q. Then that is your evidence; your heavies were all absorbed on that market?—A. I most calculate heavies as heavies—180 or 190, to about 235; and then they want them with that reduction and they don't take them without that reduction.

*By Mr. Ilsley:*

Q. And you said, as I remember it, that they paid as much for heavies as though they made a deduction for heavies—and that is quite a heavy differential, from \$2 to \$2.50 a hog?—A. Yes.

Mr. SENN: The evidence was that that was fixed by the order of an organization called the Joint Swine Committee.

The CHAIRMAN: In Toronto.

Mr. ILSLEY: Only in one market?

The CHAIRMAN: That is the point. The point at issue, Mr. Ilsley, is this: up to March 10, or very recently, the Montreal market has not followed the practice in Toronto, and at some of the other markets, of having an arbitrary differential. It has been an open market, but for some months they have made attempts, and they are now trying to get on that market, or live stock exchange, the same rules that obtain in Toronto and at some of the other points.

The WITNESS: Yes, that is what they are trying to do.

*By the Chairman:*

Q. Now, in your opinion, as a drover doing business on the Montreal exchange for 25 years, would the application of the fixed differential to the Montreal market be an advantage to the producer?—A. No.

Q. You think it would be to his disadvantage?—A. It would be to his disadvantage.

Q. You are quite clear on that?—A. Yes. This is what would happen, if they could get this scheme working in Montreal they would do this: the fellow who was buying hogs in the country locality has got enough to do to keep the farmer satisfied without him losing lots of money paying for selects. As quick as you would go begging the farmer for butcher hogs, as they call it—would weigh around 280 to 290—there is where the trouble would be in the drover keeping his customers satisfied, I claim he could not do it.

*By Mr. Ilsley:*

Q. There was a gentleman here yesterday who said it was a good thing to encourage the production of bacons and selects, as good hogs as possible, and he did not object to the differential payment. He was speaking of the Toronto market. Would that be an advantage in Montreal?—A. Well, I am not in the Toronto field to-day and do not know what they do there. We buy a great many hogs from Western Ontario, right west of Toronto, and they go right through there and on down to Montreal.

Q. That is the case, is it?—A. That is the case, I know it, and see it there. There is a fellow by the name of Knight, who lives at Ridgetown, and I have seen him have as high as ten loads of hogs that were brought into Canada Packers and brought right in to the market at Montreal. Now, that is from the cornbelt; Ridgetown is in the corn belt, and they grow a lot of hogs there, and they go to Montreal.

*By Mr. Senn:*

Q. There would be a small percentage of those which would be bacon and selects?—A. Yes, a very small percentage of them that would be selects—but his selects, he gets a small percentage of selects—smaller than we have from our locality. I will say this that in places, in Montreal or Hull, they get a lot of these hogs which they consider about the best hogs the packer can get for killing and culling out for quality.

*By Mr. Kennedy (Winnipeg):*

Q. Mr. Chairman, I wonder if you would not clear up a point just there. Is the application of the differential which applies at the yards in Ontario held up with respect to Montreal because of certain governmental regulations which have not been passed in Quebec?—A. Well, I have always understood it this way—that the Quebec Provincial government would not pass the enabling legislation which the other provinces did.

*By Mr. Parry:*

Q. And they have not done so yet?—A. They have not done so yet.

Q. But in spite of that fact they are endeavouring to force the application of the differential to Montreal?—A. Yes.

*By Mr. Ilsley:*

Q. Just one other question: your evidence would indicate that there is a combine among the buyers on the Montreal market, the fact that you got no bid for five days for your 27 hogs, five of which were selects, would indicate that there is a combine among the Montreal buyers; is that correct?—A. I think there was an understanding then made—that it was an understanding that the packing houses in Montreal when we break up our loads of hogs, we would get no buyers.

*By Mr. Young:*

Q. What buyers were on the market at that time?—A. There was not very many packing house buyers there that day to do business.

Q. You say the buyers were not out?—A. I did not see them.

The CHAIRMAN: Would you ask him, Mr. Young, what buyers were there during the week?

*By Mr. Young:*

Q. Yes. What buyers were there during the week?—A. I was there—I suppose there were buyers standing around there—I think they—

*By Mr. Kennedy (Winnipeg):*

Q. Your feeling is that you were being disciplined?—A. Putting a penalty on me for not selling them hogs.

*By Mr. Young:*

Q. What buyers do you generally find on that market when you are there?—A. Well, there is Wilsils?

Q. Who are they?—A. A packing house, or an abattoir; then there is McGarry who has a buyer out.

Q. Is he a packer?—A. A small packing house; and Canada Packers.

Q. Were there any local butchers?—A. Yes, local butchers.

Q. Sometimes quite a number of them?—A. Quite a number of them.

Q. Any speculators or dealers at all?—A. No, once in a while there is a person there and he buy a few hogs to ship out to some outside place.



Q. The local butchers were absent this time, were they?—A. I could not say they were absent, I suppose they were around there—not trying to do anything.

Q. Do you think they were being influenced by some ring?—A. The local buyers—I could not say small buyers were; but they were the only ones that was buying. I have understood that some hogs, that is good hogs, that were shipped in on the 10th were left there, and were there on Monday—are there yet, not sold; just for the same reason.

Q. On Monday of this week?—A. I have understood that.

Q. Trying to break you all up. Have you had any experience shipping direct to the packing plants?—A. Yes, I have shipped to packing houses.

Q. How did they treat you there?—A. For years I shipped all the time to Harris Abattoir. When I first started shipping hogs—I started shipping hogs to Montreal until there came a time when there was an agreement between the packing houses that there was to be a certain line west of Montreal here somewhere near Kingston that the Montreal packing houses were not to buy hogs west of that line. So that cut me out. I had been shipping to William Davies, Montreal; and I had to stop; and I didn't ship any hogs for about a month, and then one day I was called to the telephone, and it was Mr. Jim Harris was talking—he called me and he wanted to know if I would buy hogs for him, and I asked him what I would pay, and he said, You have about as good an idea about that as I have—you go out and buy me a load of hogs and ship them here.

Q. That is to Montreal?—A. That is to Toronto. And I said, Well, Harris what will I pay. He says, You know as much about what you ought to pay as I do, but buy a good deck of hogs. I went out and bought the hogs and took them up to Mr. Harris to the Harris Abattoir. After the war things got a little different, and Mr. Harris died, and ever since then I haven't had very good luck selling hogs in Toronto, and I had to go to the Montreal market.

Q. They will buy west of Kingston now?—A. Oh, yes, they buy any place; but there is this, when you ship to the Montreal market you are shipping your hogs to a commission man, and you are taking all the chance there is.

*By Mr. Factor:*

Q. You don't ship direct to the packers?—A. Some of them do; this man Knight that I spoke of, he is shipping direct to Canada Packers.

Q. How does his business compare with yours?—A. He is further away from Montreal. I don't think he gets any more money for his hogs, he buys them a little cheaper.

*By Mr. Young:*

Q. Did he get the same treatment as you got on this occasion?—A. Well, I couldn't say. I know this week he had seven—I think it was seven—decks of hogs and he was afraid to go to Montreal, or go any place with them as far as that goes; but Canada Packers in Toronto bought his hogs—he took those hogs to Toronto and they fed those hogs and shipped those hogs on down to Canada Packers at Montreal. That is one of the reasons why Canada Packers in Montreal did not get in a corner.

Q. You mean they brought these hogs from Toronto?—A. He ships from Ridgetown, west of Toronto; he shipped to Toronto and Canada Packers fed them and shipped them to the packing house in Montreal.

*By Mr. Factor:*

Q. Then they reship them to the packing house in Montreal?—A. Yes.



*By Mr. Young:*

Q. You say they would have been in a corner without these hogs?—  
A. They wanted more hogs and they wouldn't go out and get them.

Q. That shipment enabled them to force down the price at Montreal?—  
A. It would help.

*By Mr. Senn:*

Q. Have you ever heard of a case where the drovers and shippers were offered a premium, or given a premium, to ship their hogs direct to the abattoir instead of passing them through the stockyard?—A. No, I never heard where they did get a premium—I cannot say it is true, nor isn't true—I do not know.

Q. Do you know of any special inducement offered along that line?—  
A. There might be an inducement offered in this way, possibly their grade might be a little better, or they might receive a little higher price for bacon—or anyway they might receive a little higher price for bacons on the settlement. I have a statement here—

Q. I think that is a very important question, I have heard that statement made?—A. I have a statement here anyway, that I think is sometime in February—wait just a moment, it won't take me long—here it is right here. There is a fellow by the name of Knox buys for Canada Packers at Hull, and this is what happens; he wanted my hogs, and of course my hogs were to be graded but I was to receive \$8.65 for my hogs. They had my hogs weighed and there were 64 hogs weighed—average \$8.65, it shows according to this—seven selects, I got \$7 for seven selects; then it goes on, sixteen bacons, thirty butchers, two sows. Now, it didn't make any difference about the grade that day, they paid the same thing for the whole bunch.

*By Mr. Parry:*

Q. And that amounted, without the grades, to what they had said they would pay, down to the last cent?—A. Yes.

Q. Now, there is something I would just like to develop for a moment. You were saying that the competition in Montreal is between Canada Packers, Wilsills, and several small concerns; are Canada Packer' and Wilsills' prices generally in line?—A. Well, generally, yes:

Q. Are they ever not in line?—A. Well, I have seen them when they were not.

Q. And what was the result?—A. Well, the result was—I think about four weeks ago that Wilsill would not stand for what Canada Packers wanted and he went out and bought his hogs at a higher price.

Q. And the producer got more money?—A. Not the producer, the drover got it.

Q. The drover, I am not used to these terms. Do you suggest that there was any row, or was that just a temporary thing?—A. It wasn't just satisfactory between the buyers for Canada Packers and the buyers for Wilsills after hogs.

Q. You have had experience on the Toronto and the Montreal market, and comparing the competition of ten years ago with the competition of to-day, what would you say briefly was the fact?—A. Well, I haven't had anything on the Toronto market except some cattle for quite a while, but there is not much competition, when you have a load of cattle on the Toronto market among the buyers.

(Mr. ILSLEY, Acting Chairman).

Q. No competition?—A. I consider it no competition at all.

Q. I see, and the same thing in Montreal, except that there appears to have been a falling out between two of the houses?—A. That is about it, yes—I think there is a bit of competition here in cattle.

*By Mr. Factor:*

Q. Mr. McLean tells us that the packing business is the most competitive business in Canada?—A. I think the drover's business is.

*By Mr. Parry:*

Q. In a community where there is a stockyard would you recommend that cattle be sold through the stockyard, or direct to the abattoir?—A. Well, I have this in my own head—since I have been selling hogs, I think all hogs and all stock ought to go right all to the stockyards. I would say another thing. I think that if the government would take and do away with all graders and all the offices of graders, they would save a whole lot of money, and if they want to improve the hog, and the bacon hog, let the government take a portion of that money, and I do not think they would have to take it all, and let them place in every neighbourhood two or three good boars and sows, and give them free to the farmer. That will do more to improve the hogs in this country than they are doing now.

Q. Is one dollar enough to pay for the raising of a select hog, above the bacon grade?—A. I claim that if a person has got a select hog, that a dollar is no good, they should have three dollars at least for that select hog. I don't care how good a bunch of hogs is bred—there is no breed that is better than the Yorkshire as far as that goes—but if a man has got a good litter of Yorkshire pigs, and he has a good place for them and he grows them right straight along and gets them to market at about five months' old—weighing somewhere around 190 to 200 pounds and if he sells them just then as bacon hogs, he is getting more money than if he tried to raise them and have them all select—for he can't feed them so good, can't grow them so fast and have select hogs of them. It does not pay, considering the difference, to raise the select hogs.

Mr. SENN: I think I agree with you on that.

*By Mr. Senn:*

Q. Would you advocate having hogs on a flat basis?—A. I advocate this, if there was nobody bothering the drovers, the drover comes to the country and if he comes across a good bunch of hogs, he has got to pay pretty well to get that bunch of hogs, or his competitor—and there is competition among the buyers in the country—if he does not give a good price for that bunch of hogs, some other fellow will go and buy them. Then if he comes across an inferior bunch, he has got to buy them so that he can sell them on the market and get out.

Q. It is not part of the practice—I have sold hogs to drovers for years, and I never had a drover, up until the time the Hog Grading Act came into effect, that paid me any more than he paid my neighbour, no matter what the grade was, unless they were sows?—A. With the grading they can do that; all they have to do is pay you a dollar or more on your selects. But if the drover had to go out himself in the country and had no grade, he then would have to buy good hogs so that he could sell them on the market at the good hog prices. If he bought poor hogs, he would have to buy them so they would pay that price; let him take his hogs on the market, not to the packing house, and the commission man steps in and he will take out the inferior hogs and sell them for more than they are worth and he can get the usual price for his goods hogs. Let us do the same with hogs as they do with cattle, sell on their merits.

*By Mr. Parry:*

Q. Sell on their merits on the respective grades, not on the price—take all?—A. Yes.



*By Mr. Young:*

Q. You say you have dealt with stock on the stockyards, and got pretty rough treatment on the stockyards. Why do you want to sell them all there?—A. Well, if there were no hogs went over to the packing houses, they would be forced to not give us that kind of treatment, if they could not get the supply at the packing house. It makes a difference on how they are going to buy their hogs on the market.

Q. These packing houses ship their hogs to Toronto?—A. They did this week.

Q. Could they in that connection play one market against another?—A. Sure; they do it all the time.

The ACTING CHAIRMAN: The committee will adjourn until 3.30.

The committee adjourned at 1.10 p.m. until 3.30 p.m.

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The Committee resumed at 3.30 p.m.

INGIMAR INGALDSON, called and sworn.

*By Mr. Parry:*

Q. Mr. Ingaldson, you are the manager of the Canadian Live Stock Co-operative (Western) Limited and secretary treasurer of the Manitoba Co-operative Live Stock Producers' Limited?—A. Yes sir.

Q. You come from Winnipeg?—A. Yes.

Q. And you were formerly a member of the legislature?—A. At one time, yes.

Q. When you say you are manager of the Canadian Live Stock Co-operative (Western) Limited, that is the organization referred to by Mr. Barr yesterday?—A. Yes, jointly operated by the two provincial organizations in Manitoba and Saskatchewan.

Q. I understand you are filing with the committee a brief of the views of your association and that it is your intention this afternoon to explain and to amplify and contract the brief in accordance with the wishes of the committee. Would you please file the brief now as an exhibit?

(Brief filed as Exhibit 71).

I understand that for the convenience of this committee you have prepared additional copies. Now, will you proceed?—A. Mr. Chairman and gentlemen, we appreciate naturally very much the privilege of appearing before this committee. In preparing the material we have endeavoured to prepare it largely from a marketing point of view, and, also, of course, from the producers' point of view. Now, I will follow the brief fairly closely and just discuss the various points taken up and will endeavour not to take up too much time because I know time is one of the factors we must always remember. On the first page we have example number 1, as I have numbered it. That deals with the spread between the consumer's dollar and the producer's dollar; and in bringing this in we admit at the outset that we have not got facts enough to give evidence worth while, but we do it for the purpose of bringing it to light in the hope that some definite information may be secured in connection with spreads between what the producer receives for his live animal and what the consumer actually pays. Now, example 1 is an example covering one steer that was marketed on the St. Boniface market last fall, and it gives you an idea of what is actually taking—of what actually took place in connection with that particular steer. I will mention the steer later.

Q. Excuse me. I think for the purpose of the record—because the exhibits are not always available—it would be well if you would give the details without



going into the conclusions, giving figures indicating certain costs and certain net returns. That would assist very much in the evidence afterwards.—A. In example number 1 we indicate the actual amount that the steer sold for on the St. Boniface market in September. That was a top quality steer that sold at  $4\frac{1}{2}$  cents at that time.

*By the Chairman:*

Q. Is that net to the producer—\$39.28?—A. Yes. I was going to explain briefly there the expenses in putting that particular steer through the market. The condemnation insurance all through the Dominion is one-half of one per cent. That is not exactly the same on all markets, but condemnation insurance is used; and then the average cost of marketing an animal from Manitoba points is about 55 cents a hundred or \$5.50 as the cost of marketing the animal.

Mr. FACTOR: That represents all the charges?

The WITNESS: That is all the charges.

Mr. YOUNG: That has nothing to do with killing?

The WITNESS: No. That is on the market until the animal is actually sold. That means that the producer received \$39.28 for that particular steer. Then there is a statement there showing the dressing yield, and the fact that the steer was sold out of the processing house at 8 cents a pound for \$44 for the carcass.

*By Mr. Factor:*

Q. Is that an actual fact or an illustration?—A. No. It is an actual fact according to the information secured for this specific purpose. Then there is the value of the offal which brings the value of this steer out of the plant really at \$53.32. Then the retail price is—550 pounds of beef were sold at \$58.19 and the value of the offal \$8.32, making a total of \$66.51. The producer realized \$39.28 for this particular steer. So there was a gross through the plant and retail of \$27.23.

Q. You do not give the cost of processing that steer.—A. No. I did not get that information fully enough to give, but they had the value of the offal less the \$1 that they sold the carcass less than what they actually bought the steer for. What the processing house in this case got on the offal was \$7.32, and the point I am trying to bring out is that the producer only realized 60 per cent of the value of that particular steer.

Mr. YOUNG: The packing house got \$8.32 for the offal and they lost \$1 on the steer. So that their costs must have been \$7.32?

The WITNESS: Yes, \$7.32.

Mr. YOUNG: And the rest of it must have gone to the retailer.

The WITNESS: The retailer, yes. \$14 and some odd cents of it went to the retailer. I have the detailed statement but I cannot lay my hands on it.

*By Mr. Factor:*

Q. I cannot understand that statement. You say the value sold by the processing plant, out of which must come the cost of processing is \$52.32. Now, do you take off the \$7.32 in the processing?—A. The gross value of the steer is \$45. That is the top figure. The plant sold the beef to the retailer, the man that is going to retail it over the counter, for \$44; therefore, they lost \$1 in the transaction. Now, to offset their work of processing they have the value of the offal which is \$7.32.

Q. That is their gross?—A. That is their gross in that particular case.

*By Mr. Young:*

Q. The offal includes the hide and the liver?—A. Hide and liver.

Q. The heart?—A. The value of the offal at that time was hide,  $7\frac{1}{2}$  cents, \$5.25; edible fat 80 cents; tongue  $10\frac{1}{2}$  pounds, 42 cents; liver 9 pounds, 42 cents; heart 4 pounds, 8 cents and other minor casings 5 pounds or 65 cents. That makes a total of \$8.32.

Q. They do not say anything about the value of fertilizer?—A. Manure and moisture, 254 pounds, no value. Going on with this particular statement, we are of the opinion that it does not present the average that the producer realized. You can take a 3 cent steer at the same time and the beef will be sold fairly close to the better quality beef and the offal will be worth more, that is in comparison with the original cost, and consequently that figure of 60 per cent is rather high; but we have no definite, authentic information, and that is really the reason why this was brought in—so that it would be studied a little further and we would get that information so that the producer would have an idea what is taking place.

Now, example number 2. I am not going to read it over. It was merely taken from an American journal showing the result of some study that was made by Professor Ashby of the Illinois College of Agriculture.

Now, that pretty well covers the two examples. In the American statement,  $43\frac{1}{2}$  per cent of the value went back to the producer,  $56\frac{1}{2}$  per cent was taken up in the cost of delivering to the market, processing and selling to the retail trade.

Now, then, we have example number 3 which sets out the actual cost of handling a carload of live stock through our markets. It sets out the expenses in detail, giving the various charges and the cost per 100 pounds.

*By Mr. Factor:*

Q. What is a mixed carload?—A. A carload that contains so many cattle, so many calves, so many sheep and so many hogs, or lambs as well, if the case is such. You can see the figures there setting out the various costs. First of all by the hundred and then the percentage of cost. Now, example number 3 deals with a small carload of live stock, 12,000 pounds and the expenses are set out in the same way, showing that the expenses are a little higher on a small carload of live stock which takes up the freight—the freight is a little more, and the selling commission is a particle more.

*By the Chairman:*

Q. Before you leave that. In this example number 3, which is a mixed carload of 2,200 pounds, you show a charge for the freight and marketing. That is the marketing in the live stockyards?—A. The St. Boniface market.

Q. Of \$22.90?—A. Yes, that is the total.

Q. Or 55.8 a hundred pounds?—A. Yes.

Q. All right. Go ahead with number 4?—A. Number 4 is a similar statement showing the cost of handling a light load of 12,000.

Q. Number 4 shows a light load?—A. A 12,000 pound load.

Q. You show a charge of \$81.90?—A. Yes.

Q. That works out at 68.3 a hundred pounds?—A. 68.3 a hundred pounds. The object there is to show that the lighter load will cost more to market.

Q. Before you leave that, have you any particular comment to make upon those charges. For instance, the yardage or feed or commissions, or do you come to that later?—A. I have that in a percentage here. I think, possibly, I will cover it later under example number 5.

Now, in example number 5 is a statement showing the cost of marketing based on gross sale of 257 cars on the St. Boniface market during January.



*By the Chairman:*

Q. Is this actual?—A. Yes, actual. The total cost of marketing an average car from the Manitoba point is \$122.90. As in example number 3, this is worked out on the actual value of the 257 cars during the month. The total value was \$279,000 or \$1,086 per car, or, in other words, 11.03 per cent of the gross value. Now, the freight is taken care of and the stop-over privilege and unloading which is 4.7 per cent of that cost. Then we have the yardage and the feed. The yardage and feed there is 1.09, and during recent months we have had a good deal of discussion in connection with excessive charges or excessive costs at the yard, at public stockyards, and if you men analyse this fairly carefully you will find that the cost is not really excessive for the service that is being rendered in the handling of live stock.

*By Mr. Young:*

Q. That is yardage?—A. Yardage and feed.

Q. 1.09 is not of the value of the car but of the expenses?—A. No, 1.09 of the gross value of the car in dollars and cents.

*By Mr. Factor:*

Q. We have had a statement here that there was an allowance of \$10 or \$12 a ton profit on the feed?—A. Yes.

Q. In some cases \$20 at Toronto?—A. That is quite true. I do not know whether the committee wish me to go into that in detail, but here is the position roughly. Public stockyards have been built up at all the larger centres of this country of ours and they were built up at times, some of them in 1914, some in 1918, and some of them in 1920. Our yard at St. Boniface is an exceptionally good yard. We are proud of it. The cost is not too high, as I understand the cost of constructing. The service is rendered and the object there is to try to carry that organization if it is possible, and it has been found in order to carry that utility that they would have to have a charge for yardage and feed, and the question has come up whether it would be sounder business to increase the yardage charge and reduce the charge for feed or to leave the yardage charge as it now stands, which is set out in example number 3, and the charge of feed at the rate it is charged at the present time. My opinion is that it is just as well to leave the feed charges reasonably high, or rather simply say abnormally high, than to add on the yardage charges. Our plant in St. Boniface is under a provincial charter, and the charter says that they shall never earn more than 6 per cent of their paid-up capital and they shall never exceed 5 per cent depreciation on their plant.

During the last four or five years they have been earning at about the rate of about 3 per cent for depreciation and a similar amount—and sometimes nothing as far as interest on the capital is concerned.

*By Mr. Ilsley:*

Q. What is a fair amount for depreciation?—A. On a plant of that description 5 per cent is not any too high.

*By Mr. Young:*

Q. Do you keep the yard constantly in repair?—A. Yes, the depreciation fund has been used to quite a degree.

Q. Do you use the depreciation fund for repairs?—A. They have used that for the last few years.

*By Mr. Ilsley:*

Q. What about replacements?—A. You mean just ordinary everyday general repairs?



Q. Yes.—A. No, that comes out of revenue; but replacement—if a building is going to pieces or the roof is bad or something like that we call that really replacement and used money in the depreciation reserve for that purpose.

*By Mr. Parry:*

Q. Are you suggesting that the fee for yardage and the allowance for feed are not adequate to properly remunerate your company under present conditions?—A. It must be remembered that it is not my company that handles the public stockyards.

*By Mr. Young:*

Q. What do you mean by public stockyards in St. Boniface; this is a capital company, is it not?—A. Yes. The company is owned by the two railways jointly. That is the two railways contributed the moneys to build the plant.

Q. It has a provincial charter?—A. Yes, it is a subsidiary, operated as a subsidiary organization.

Mr. ILSLEY: I understood it had some connection with your co-operative organization.

The WITNESS: Not the public stockyard itself, no.

*By Mr. Parry:*

Q. I think you had better explain to the committee again the situation more fully as to exactly what the functions are, because I feel very much confused about appreciating the relationship of these figures to what you are doing?—A. Of course, the questions arose out of this 1.9 per cent for the cost of yardage and feed, and I merely explained the public market charge which is that charge.

*By Mr. Ilsley:*

Q. Does that 1.9 per cent have any relation to what appears to be the high charge for hay? You appear to reason from the fact that it has cost you 1.9 per cent that the profit on hay that the other witnesses complained about is not excessive?—A. It is all included in that 1.9 per cent.

Q. What profit have you been getting on hay?—A. They are charging now \$1.15 a bale on our market and they are paying, oh, I presume, between—around \$8 a ton for the hay they get in.

Mr. PARRY: Can you make that uniform?

The WITNESS: That would be \$23.

Mr. ILSLEY: A ton that you charge?

The WITNESS: Yes.

*By Mr. Young:*

Q. \$4.50 for handling and \$10 profit on hay; is not that the understanding?—A. No. There is no definite understanding as to the actual cost of handling it.

Q. We had some figures the other day. A witness said \$4.50 a ton was allowed for handling in the yard and from \$10 to \$12 in addition to that profit on the hay?—A. That is covered under the Live Stock and Live Stock Products Act, and I am not just sure of the relationship.

*By Mr. Kennedy (Winnipeg):*

Q. Will you just tell the committee what is the present cost per ton for hay to the yard and what the farmer has to pay for it?—A. Well, the present

cost is around \$8 a ton to the public market, and they charge at the rate of \$1.15 a bale, and there is supposed to be 100 pounds. That is \$23.

Q. It costs \$8 and they get \$23.

*By Mr. Parry:*

Q. And over and above that is that \$4.50 charge that is referred to?—A. No. That is all the charges. Of course, in that they have got to unload it and deliver it into the different alleys and look after it all the way through.

Q. Have you ever analysed these costs? Can you tell us how they are made up—so much for unloading and so much for handling?—A. No. That is not our business, and consequently it is general information that I can give as to what they are paying and what we are paying for the hay used for our animals, naturally.

Q. Now, could you let us have that because we have a spread of \$15. Can you break that up any further for the information of the committee?—

A. Not clearly. I have not got the labour costs in connection with the handling of that hay. It has got to carry a certain overhead and a certain cost in handling and delivering.

*By the Chairman:*

Q. May I ask you this question: you have worked out here on these 257 cars a charge of \$122.90 a car which includes freight?—A. Which includes freight.

Q. Have you any criticism of these charges?—A. A producer naturally when his product is selling as low as it was during 1933 has opposition to all of these charges because of the low net return that he receives; but what I am trying to make clear is that as an operator on a market I fail to see how those charges can be materially reduced.

Q. That is my point.

*By Mr. Young:*

Q. You have here selling commission \$20 and shipping managers commission \$26.40. Will you explain that?—A. The selling commission and pro rating is made up of an average fixed carload of cattle, \$15. That is, the maximum is \$17 and the minimum is \$10, and the average is approximately \$15.

Q. In this case it is \$20?—A. Yes. The pro rating is \$5. When the settlements are made out direct to the producer and there are thirteen owners or over in the carload shipment, that is those two costs combined.

Q. That is to say they get \$5 for dividing the money up among the thirteen?—A. Thirteen or over. We have as high as 90 in a carload. As far as our organization is concerned, the average is approximately 20.

*By the Chairman:*

Q. What is that shipping manager's commission, \$26.40?—A. The shipping manager's commission is paying the man that assembles that live stock at the shipping point.

Q. That has nothing to do with the charges at the yard?—A. No, nothing to do with the charges at the yard; but he is the man that looks after the stock from the farmer to the yards until it is sold. In other words, instead of the drover, as we commonly know him under the old system, this man is looking after the co-operative assembling of live stock, holding it, spending time in the country, and working with the producers, bringing it to the market and looking after it.

*By Mr. Young:*

Q. Is he the man who accompanies the car to market sometimes?—A. Yes, mostly.

*By Mr. Factor:*

Q. The problem from your point of view is not that the charges are too high, it is because the price of product is low; is that right from your point of view?—A. Yes, that is so. I refer again later in this brief to some of those charges.

*By Mr. Kennedy (Winnipeg):*

Q. I gathered the impression that the present rate even on mixed cars was \$17 per car and there was some question of it being reduced to \$15. Your set-up shows a Cross of \$20?—A. That takes in the two charges—the selling commission is one charge and the pro rating is another charge.

Q. I know; I realize that; but the actual cost per car is \$20. It is for selling the men's products to a packer and getting what is coming to them and giving them their cheque. That is the pro rating part. So that the cost to the farmer is at the rate of \$20 per car?—A. Yes, when the settlements are made direct to the producer for each animal that he happens to have in the car.

*By Mr. Kennedy (Winnipeg):*

Q. I gathered the impression that on the present rate, even on mixed cars, the commission was \$17 per car, with some question of it being reduced to \$15; your statement here shows a cost of \$20?—A. That takes in the two charges. The selling commission is one charge, and the pro rating is another charge.

Q. I know that, but the actual cost per car is \$20?

The CHAIRMAN: No, the two together.

*By Mr. Kennedy (Winnipeg):*

Q. It is selling the men's stuff and figuring out what is coming to them and giving them their cheque, that is pro rating?—A. Yes.

Q. So that the cost to the farmer is at the rate of \$20 per car?—A. Yes, when the settlements are made direct to the producer for each animal that he happens to have in the car. We will take as an example—

Q. That is clear; I understand it now?—A. If a man comes in with a car-load of live stock and he knows the man, one owner, then the charge is \$17; he gets just one settlement and one cheque, and the charge is \$17.

Q. The reason I raised that particularly, Mr. Ingaldson, was because it was represented to me by a commission merchant that at the present time they were only being allowed \$17 per car, and he gave me an invoice showing a number of owners, and stated in a case like that it was proposed to reduce it to \$15. He says, "We ought to have \$17; that is what we get per car now," and showed me this invoice. That was not a correct representation?—A. No. There is a pro rating charge when you make the settlement direct to a number of owners that are down with the cars.

*By Mr. Kennedy (Peace River):*

Q. Do any commission firms do pro rating and simply charge \$17 for the whole thing?—A. No.

Q. We had evidence here the other day that that was done in some cases?—A. Not according to the regulations that we are operating under on our market.

*By Mr. Young:*

Q. Are these charges that are made by the joint stock company at Winnipeg the same charges as the co-operatives charge at their yards?—A. Just what is your question again?



Q. For instance, at Regina and Saskatoon the co-operative association have their own yard; are their charges the same as these?—A. Yes.

Q. Identically the same?—A. Yes.

Q. All the way through?—A. Yes.

*By Mr. Senn:*

Q. You referred to that yardage and feed item; is the feed inspected in any way on the yards?—A. The feed is under the inspection of the Dominion representative who is stationed on the yard.

Q. And is it always satisfactory?—A. No, not always. The chop for the hogs, I would say, consistently satisfactory, but the hay is not always satisfactory.

Q. The reason I ask that is that I have heard complaints just along that line, that the feed is of a nature that the cattle are not very apt to fill up on, and they go over the scales still hungry?—A. What is in use on the St. Boniface market is ordinary midland hay, as we call it, that is cut off rather low land, inclined to be coarse.

Q. And it might be not well harvested, I suppose?—A. Well, commission firms complain very seriously if they get hay that is not up to standard; and I will say this that the public market company has endeavoured to give us good hay of that type. It is not cultivated hay, it is midland hay.

*By Mr. Kennedy (Winnipeg):*

Q. Just another point there, Mr. Ingaldson, dealing with that same item of yardage and feed, 1·9 per cent cost per car; I take it that the effect of your argument is this, that while the feed itself may be considered high, or abnormally high, yet taking the combined charge of feed and yardage together, that it is a reasonable charge; and further than that, that if you reduce the charge on feed you would have to raise the charge for yardage, is that it?—A. That is the situation, yes. Let me try and put it this way: We have a plant there, and if it is going to operate it will almost have to get enough revenue from year to year to make both ends meet. If this were cut down they would find themselves in a position that they would not get enough to make both ends meet.

*By the Chairman:*

Q. The long and short of it is that there is not much complaint that can be made of the charges on the Winnipeg live stock yard?—A. That is our opinion.

Mr. FACTOR: It is different, apparently, from the Toronto and Ontario situation.

*By Mr. Young:*

Q. Neither you nor your company have any interest in this yard; it belongs to the railways?—A. It belongs to the railways; they are joint owners.

Q. There is no water in their stock—and I don't mean the live stock?—A. I would say no. The actual amount of money that was put up to construct the plant is the actual amount of capital that was required to carry the plant.

Q. Is it efficiently managed; you have seen other yards, and you can compare them?—A. I would say yes.

Q. It is?—A. Yes.

*By Mr. Kennedy (Winnipeg):*

Q. It may seem superfluous, but when you use the term "public stockyards," I take it you do not mean that the public have any particular interest in it at all, but it is open to the public?—A. Open to the public.

Q. It is privately owned by this provincial corporation?—A. Yes.

Q. Any profits accruing go only to the shareholders in that corporation?—A. Yes.

The CHAIRMAN: All right, will you proceed?

The WITNESS: Is there any further question in connection with shipping managers' commission?

The CHAIRMAN: You seem to be satisfied with that.

The WITNESS: You understand just what that means; that is an active shipper.

Mr. FACTOR: If you are satisfied, we are not going to look for complaints.

The WITNESS: Transit insurance is charged to take care of any loss in transit of any live stock that is shipped forward.

*By Mr. Young:*

Q. Does that cover any animal that gets down in the cars and gets hurt?—A. Yes, it covers any animal that is hurt or killed in transit.

Q. One-half of one per cent?—A. No, it is so much per head. An example there, transit insurance, cattle and calves, ten cents per head; hogs seven cents per hog.

Q. It figures out to one-half of one per cent in the total?—A. No, it does not—well, pardon me, I didn't get your question. Yes, it is on this total; it is one-half of one per cent.

*By Mr. Factor:*

Q. In example five it is figured out?—A. Yes.

*By Mr. Kennedy (Winnipeg):*

Q. When you say that these rates are satisfactory to the producer, we can take it that you are expressing the point of view of the producers generally who use the St. Boniface stockyards?—A. My statement was that when the live stock is as low as it has been, that is in 1933, the producer naturally wonders whether this service could not be rendered at a lower price; but on the whole, I cannot see that the service could be rendered any cheaper than what it is being rendered at the present time.

Q. And the purpose of your association is to serve the producer?—A. To serve the producer as close to cost as we possibly can.

*By Mr. Edwards:*

Q. Under normal conditions, the producer would not have much complaint?—A. No, under normal conditions he would not have much complaint.

*By Mr. Young:*

Q. If this man shipped one of these cars to the packing house instead of to the yard, what of these charges could be eliminated?—A. The two charges would be eliminated, that is yardage and feed.

Q. Yardage and feed?—A. Selling commission and pro rating.

Q. That is all?—A. That would be the two charges that would be eliminated. The man looking after the shipping of the live stock would be paid as much when it goes to the plant.

Q. That would be 3·7 per cent?—A. 3·7, yes.

*By the Chairman:*

Q. All right, will you continue?—A. This example No. 5 is really put in there for information purposes. I do not know whether it is necessary to deal with the weight in carloads. I want merely to say this, that the minimum

weights do not apply just exactly the same all over. I understand that there are lower weights in certain parts of eastern Canada—lower minimum weights—than there are in the west.

Q. What is your minimum weight in the west?—A. 20,000 pounds for mixed cars; 16,000 pounds for hogs and sheep. Our contention is that it is a little high, and we deal with that in our recommendation at the end of this memorandum. About two years ago the railway companies put into effect a lower, reduced minimum. That is, you can ship a carload of 12,000 pounds—that is a mixed car—whereas before you had to pay for 20,000, but now you can ship a carload of 12,000 pounds.

Q. And get the 12,000 pound rate?—A. Yes. The rate, whereas it was 22 cents at the usual minimum, is 28½ cents.

Q. On the 12,000 pounds?—A. On the 12,000, and we feel that that is a little high.

*By Mr. Factor:*

Q. You mean the reduced minimum rate is a little high?—A. Yes.

*By Mr. Kennedy (Peace River):*

Q. How high should it be? What do you think would be right?—A. I would say about 25½ cents, a reduction of 3 cents a hundred, should be about a fair rate. Then the 6,000 pound rate is 39½ cents. I don't know that you can make much of a complaint there, owing to the fact that it is not used very often, and a 6,000 pound car will not give much revenue to the railway company, so I am not saying anything about that. But I do feel that on the 12,000 pound minimum the rate should be reduced slightly.

*By Mr. Senn:*

Q. Are those rates approved by the Railway Board?—A. Yes.

*By Mr. Edwards:*

Q. What is the average mileage hauled?—A. To our market?

Q. Yes?—A. Let me put it this way: Considerable quantities of Saskatchewan live stock come into our market. They come five or six hundred miles, but from Manitoba points the average would be about 100 miles. The total average, I would say, would be around 250 miles.

*By Mr. Ilsley:*

Q. Why does Saskatchewan stock go to Winnipeg instead of Saskatoon, Regina and Prince Albert?—A. Larger centres, and wider outlet for the live stock.

*By Mr. Edwards:*

Q. Probably a shorter haul?—A. No, they are longer hauls; it is the larger centre and the wider market. Then we have a paragraph here dealing with truck transportation. This paragraph also is more for information purposes. It gives you the various rates charged by truck. We find that there is a great deal of difference in the charges.

*By Mr. Factor:*

Q. Trucking costs to the stockyards?—A. Yes. We find a truck might be operating for say 100 miles distance from the market at 55 cents, we will say, or 50 cents; and another truck in another area might be operating the very same distance and charging 60 cents. There is no system of arriving at the charges that the trucks make. Then I go on to outline the cost of putting



animals through the public stockyard that are delivered by truck, and the cost is \$1.05 a head, full-grown cattle; 40 cents a head on calves; 27 cents a head on hogs and 26 cents a head on lambs; or in other words, approximately 12 cents per hundred pounds on cattle, about 13 cents per hundred on hogs, and about 26 cents per hundred on lambs. It is more for information purposes.

*By Mr. Factor:*

Q. What do you mean by putting the live stock through the stockyards; does that mean the same as the charges in example No. 5?—A. Yes. Those are the charges for trucking in live stock. The other is for a carload of live stock.

Q. But it is the same character of charges?—A. Yes; there is no charge for feed in that case. It is the yardage and selling commission. It is worked out on a per head basis.

*By the Chairman:*

Q. I suppose most of those brought in by truck are not fed?—A. Hogs coming a considerable distance by truck are fed, as a rule.

Q. That is extra?—A. Yes, that is extra.

*By Mr. Young:*

Q. Those trucks apparently deliver to the yard; don't they deliver to the packing house there?—A. They deliver to the packing house, yes.

Q. To a greater extent than to the yards?—A. I would say so, yes.

Q. The packing house gets more?—A. Let me clarify this; as far as hogs are concerned, yes; cattle, no. There is more goes to the yards of cattle than goes to the plant.

Q. I presume they find they can do better there, is that it?—A. On the average, yes, I would say that is so.

Q. The trucker finds he can sell his cattle to better advantage on the yard and his hogs to better advantage at the packing houses?—A. That is presumably the reason.

The next question we have there after these examples have been gone through, is a pertinent question, the effect of direct deliveries to plants. That is something that everyone I think, interested in the live stock industry is keenly interested in at this time. I think possibly I will read this particular part of the brief so we will have it fairly clearly before us:

The effect that direct deliveries to packing plants has upon the price levels at the public market is extremely difficult to prove in dollars and cents. It is generally recognized that the public market is the place where prices are established. This applies more in particular to hogs but in a general way applies to cattle and lambs. The cattle and lambs are sold on their individual merits whereas hogs are sold according to grade. The public market is the only institution that handles live stock where competition in selling takes place. At the public market various buyers, large and small, come to make their daily purchases. With large deliveries direct to processing houses it lessens the need of buying at the public market. If a buyer is in a position where he is indifferent whether he purchases any stock on a certain day, he will naturally endeavour to buy cheaper, which has the effect of lowering the level of the market. Some of the larger buyers, owing to the fact that they have had heavy supplies of direct deliveries to the plants, become indifferent as to the volume that they buy and in every case bid on a lower basis. If all live stock were purchased on the public market the buyers would be operating at a similar price level for the livestock that they purchase during a given period. If one buyer is able to secure his supply of, say, lambs as

an example, at a lower level due to direct deliveries for a given period than the average on the public market, he would be in a position to go out and offer his supply of lambs to the retail trade at a lower price, placing the buyers operating on the market in a position where they cannot meet this lower price in selling to the retail owing to the fact that they had purchased their supplies at a higher price. The result of this would be that all other buyers would try and buy cheaper in order to meet this competition, making the net returns to the producer somewhat less. The same, to a degree at least, can be applied to cattle. Hogs, owing to the fact that they are graded, cost the buyer almost the same.

*By Mr. Young:*

Q. You are assuming that the man who buys at the plant buys cheaper, and therefore he can sell cheaper, and therefore forces the local buyer who is out on the open market to come down; is that the case?—A. Yes, that is the opinion that we had.

Q. That is to say, when you take a load of hogs or cattle—not so much hogs, but cattle to a packing plant, the packing plant would sell it for less than the price you would get at the yard?

*By Mr. Factor:*

Q. We have had evidence that your market has been depressed by the action of the Toronto buyers more than the direct action of the buyers in the Winnipeg market. What do you say about that?

*By Mr. Ilsley:*

Q. If you will excuse me, I would like to have Mr. Young's question answered first, for my benefit?—A. Well, we have been in this trade for a number of years, and it is our candid opinion that the more volume a processor can buy direct, the stronger position he is in to be indifferent at the public market as to the price that we pay.

*By Mr. Young:*

Q. But your statement to-day is that he buys at the packing house at a lower price; if that is the case, it must be so much lower. What is it, a half a cent lower, or a quarter of a cent lower, or how much less does he pay?—A. I would not venture a reply there.

Q. Would you say that he buys any lower?—A. Yes, that is our opinion.

Q. Have you any figures at all?—A. Not to prove it.

Q. Any examples?—A. Purchases made, outside of hogs, at a processing plant are not open to the public.

Q. But the man who sells cattle can go out and tell what he got for them; there is no law against that?—A. Yes; and that, of course, varies.

*By Mr. Senn:*

Q. According to the quality?—A. No; the quality being the same, it varies according to the statement they make.

Q. There is a statement in this that the stockyard is the only place where live stock is sold on a competitive basis. We had a witness this morning who said that there was very little competition between buyers, the packers at certain markets. What is your experience on the Winnipeg market?—A. It varies. Some days we have very little competition. Other days we have reasonably keen competition.

Q. Why do you say you have no competition on certain days?—A. The buyers are indifferent.

Q. Do you think there is any combination among them, or collusion between them?—A. I would not venture to make that statement, no.

*By Mr. Kennedy (Winnipeg):*

Q. Before you go on, I think it is obvious that the owners of the stockyard would naturally want all live stock forced through the yards. That is obvious, is it not, in their own interests?—A. That is natural, yes.

Q. Is it your opinion that all live stock should be forced through the yard or that direct sale to the packers should still continue?—A. In our opinion, in the best interests of the live stock industry, we have said that the live stock should be sold through the public market.

Q. All sold?—A. All sold through the public market.

Q. You say in the interests of the live stock industry. Of course, there are different branches of that; there is the commission merchant, there is the packer and producer?—A. Yes.

Q. Would you say from the producer's point of view, it would be in his interest if it was all forced through the yards?—A. Absolutely.

Q. In the producers' interests?—A. Yes, that is my candid opinion.

*By Mr. Edwards:*

Q. He has competitive buyers?—A. Yes.

Q. The buyers at the yard with the packing company at the plant?

*By Mr. Senn:*

Q. Another question that I was asked yesterday of another witness was in regard to the practice which is allegedly carried out in certain stockyards, that certain alleys are open to certain buyers, and no other buyer goes down that particular alley on a certain day. Is there any such practice prevailing in the St. Boniface market?—A. The question is whether a certain alley is allotted to a certain buyer? That is the question?

Q. Yes?—A. The selling is not by auction; it is a man to man sale. The practice on our market is this, that we will agree to take in a certain buyer into the cattle alley to-day, we will say—

Q. Who is "we"?—A. That is our organization. I am speaking of our organization. We will agree to take in a certain buyer into the alley this morning, and if this buyer is prepared to pay the price that in the opinion of our salesman is the price, he is going to buy the bulk of the live stock in that particular alley that day.

Q. Where does the competition enter in there?—A. The competition is the ability of the man that you have in selling, in knowing what prices the animals should sell at on that particular day.

*By Mr. Kennedy (Peace River):*

Q. The competition is between the buyer and seller?—A. The competition is then between the buyer and the seller. If the salesman figures that the buyer is not prepared to meet him, he will turn him out and get someone else in.

*By Mr. Factor:*

Q. What you meant by competition existed in direct buying between the packer and seller?—A. In the direct buying between packer and seller.

Q. Yes?—A. Let me get your question.

Mr. KENNEDY (*Peace River*): At the yards?

Mr. FACTOR: No.

The WITNESS: At the plant?



*By Mr. Factor:*

Q. Yes?—A. Generally speaking, the man that delivers live stock to the plant is not a competent seller. Generally speaking—more in particular trucks—the man that delivers that live stock to the processing plant is not a qualified salesman.

*By Mr. Young:*

Q. He is a trucker?—A. He is a trucker, that is his business; and consequently the man that buys at the plant is the only one that really enters into the transaction.

*By Mr. Ilsley:*

Q. I got the impression that the packers sent their buyers to the homesteads of producers, and there is the competition. You are talking about competition in wits, not competition in business. It is competition between buyer and seller.—A. That is why we have salesmen.

Q. And the man who is seeking to sell, is he not a competent seller?—A. The farmer himself, you mean?

Q. Yes?—A. As a rule, he is.

Q. Yes?—A. But great numbers of them are not. They don't know the condition of the market.

Q. Just explain there; the evidence is that more and more throughout Canada they are selling these cattle to the packing plant; I think that is correct?—A. Yes.

Q. Why are they doing that, if it is a disadvantageous practice?—A. There are really two questions there. Are you now asking in connection with the selling of the cattle, the beasts on the farm?

Q. Selling to the packing plant, wherever that sale takes place. I gathered it took place on the farm for the most part. There is evidence about packers' buyers going into the yards—back yards, not stockyards—and buying cattle?—A. In Manitoba that does not apply. The packers, outside of a few of the larger feeders, do not go out into the country to buy from the farmer.

Q. How does he make his sale to the packing plant in Winnipeg?—A. Through the medium of either the trucker or a man who happens to be acting as a shipper from that particular area.

Q. Why does he intrust this vital function of selling his stock to a trucker who is not a skilled seller? Why does he do that?—A. Well, I don't know if I can answer that question directly.

*By Mr. Edwards:*

Q. Is he not under the impression that he is eliminating the middleman on this service?—A. Well, yes. What I was going to answer there was this, that during the last three years the price of live stock has been so low that the producer has been trying to find a way of marketing his animals, thinking that he is cutting out some of the expenses. Our opinion is that he is not actually cutting out the expenses.

*By Mr. Kennedy (Winnipeg):*

Q. Permit me to ask a question just there; it is obvious that you are a well informed witness—and I do not say that to flatter you—but in view of the fact that you are, I am interested in your opinion. Inasmuch as the farmers to-day do sell large quantities of their produce direct to the packing plants, it must be that those who do so prefer to market them in that way. That being so, do you give as your considered opinion that these farmers would

like to have a law passed that they must discontinue that practice?—A. I have a rather interesting piece of evidence that I am going to submit a little later, and I might as well tell you what it is. We sent out some questionnaires and I have some one hundred of these in my bag; and one of the questions is dealing with that particular thing.

Q. I know, but my experience is that answers to questionnaires are often very, very irritating. Give an answer to my question, if you can; in view of what I have said, if the farmers do follow that practice in a large way—selling direct to the packing plants (I am not interested in the packing plants at all)—but force them to discontinue the practice; that is the general feeling; you think that would suit them?—A. I would say so, yes; the majority of them.

Q. You think farmers like to be made to do things that they don't want to do?—A. They are being made to do it all the time.

Q. Will they like it the more because they are made to do it, however?—A. I don't mean, Mr. Kennedy—I mean this; that all our statutes indirectly one way or another tell us what we shall do.

Q. Oh, I know that?—A. And this question is in a similar category.

Q. I am not arguing as to whether it should be or not, but I am interested naturally in the point of view?—A. We feel it would be in the best interests of the industry from the producer's point of view; let me put it that way.

*By the Chairman:*

Q. Let us try to visualize a district, we will say in Manitoba, fifty miles out; is this the practice—correct me if I am wrong—try to get this down to some point where we can all have the same understanding: that the trucker, the man interested in trucking who has a truck will go around amongst the farmers who have one or two head of stock for sale; obviously it would not pay the farmer to ship in one or two head, therefore, if the trucker will go to his yard and pick up that stock he is inclined to make that deal with him. If a trucker is inclined to carry stock to a particular abattoir, the farmer would not be disposed to protest against it going to the abattoir, although he might prefer to have it going to the yard. Is that a fair statement?—A. That is a fair statement, and the reply is this: I have a little paragraph on that, I just read that a moment ago—and the trucker agrees to take the live stock at so much per hundred pounds.

*By Mr. Young:*

Q. Is that a commission?—A. A commission.

Q. You don't do it?—A. We don't do it. We handle co-operative, or marked live stock altogether—and when I am speaking I am naturally speaking from that angle. The farmer has to pay 50 cents a hundred to deliver that live stock to the market, and the tendency has been on the part of the trucker to deliver that to the processing plant, and in that way save in the case of cattle 12 cents a hundred pounds, 15 cents a hundred on hogs, and 20 cents on lambs. Now, that has been the tendency in the Province of Manitoba.

*By the Chairman:*

Q. Would you say that that is one of the chief reasons why there has been an increase of truck deliveries to the abattoirs?—A. I do not know that I would say that it is one of the chief reasons, but it is one of the reasons.

Q. Well, what are the other reasons?—A. The low cost, and the effort to try to save a little bit in the marketing of that animal is another reason; and another reason is this, that our processing houses appear to have made a determined effort within the last few years to have the stock delivered direct to their plants.



Q. Therefore, it would appear that influence by the packers is used to direct the movement direct to the plants?—A. Yes.

Q. That is your considered opinion?—A. Yes, that is apparently the effort at this time.

*By Mr. Senn:*

Q. What kind of influence?—A. By buying the stock outright—if there is a straight carload of hogs, for example; and trying to have the shippers from certain sections ship their stock direct to the plant, and not go through the yard.

Q. Has it ever come to your notice or view that the trucker may receive a commission from the farmer, or producer, and also receive a commission from the packing house for bringing the hogs direct to them?—A. No, I would not be prepared to make a statement there. We do not know.

*By Mr. Young:*

Q. Is not this the case: that the farmer sends the cattle in with the trucker to market; the trucker brings him back his price and says, I got six cents a pound for these cattle; does not that farmer then take his newspaper and check that price against the market price for the day?—A. In Western Canada, and you know that, a lot of our papers are weekly papers that the farmer gets; and there is not one out of a hundred that gets a daily paper.

Q. Yes?—A. And secondly he is not properly informed as to the actual market.

Q. He would go to considerable trouble to find out what the market was; it goes over the radio every day?—A. Yes, and a great many batteries have run out this last while, and they haven't got radios. He is not able to get the prices.

*By Mr. Kennedy (Winnipeg):*

Q. One of the reasons you gave for shipping direct to the packing plants is because of the depressed price; that surely carries the inference that he is getting a better out-turn, that he is getting more for his stock. You say, because of the low price, that is a contributing factor to shipping direct to the packer. I would infer from that that he figures, whether he is or not, that he is getting a better net return than if he shipped it through the yard?—A. That is his opinion, yes.

Q. Do you think he is availing himself of that?—A. I do not like to say. But I do feel that the average farmer who only produces possibly five to eight hogs in a year, three to five cattle beasts, does not follow the market and does not know the condition of the market; and a lot of them who only produce that small number do not actually know the value of their live stock.

Q. Now, apart altogether from these radio batteries being run down, I have an idea that the farmers are pretty well informed as to the competitive prices. If one ships to the packing plants direct, and another sells through the yards, it seems to me that in these days it does not take long for the news to circulate throughout the community as to where the best price is paid; do you think so?—A. It circulates, there is no doubt about that.

Q. They meet in church every Sunday, and they have meetings during the week, and this information goes?

MR. ILSLEY: They have telephones, don't they?

MR. KENNEDY (Winnipeg): Certainly.

*By Mr. Parry:*

Q. They have party lines?—A. There is something; party lines in western Canada to-day are not so many as they used to be, there is not more than one now where there used to be 15 or 20.



*By Mr. Kennedy (Peace River):*

Q. Is it possible for two farmers shipping, one to the plant and one to the stockyard, to really compare the out-turn of these two shipments? It is not a question of grade, but rather one of another nature; are these men able to compare the shipments accurately?—A. It is extremely difficult in the case of lambs and cattle. As far as hogs are concerned, yes; the hog price, when it is once established on the market is set for that day, and the plants pay the same price. Now, I don't want to be misunderstood, my contention is this, not that I can say that this man got less to-day for his cattle at the plant than he should have got, but it is the effect that the truckers' deliveries direct to the plant have on the general price level.

*By the Chairman:*

Q. Yes?—A. That is my argument.

Q. That is the whole point is it not?—A. Yes. No doubt we could get statutory declarations one way or another, or both ways.

Q. In other words, if the plants at Toronto or Winnipeg, or at any of the larger centres had half their supplies delivered to them direct, there is a tendency for less competitive buying on the market and a generally depressing effect upon the price?—A. Yes.

*By Mr. Young:*

Q. Well, is that so, or not? Let us suppose that 100 farmers are in there, each with a steer to sell, and the packers require 100 steers: And then let us suppose the next day there are only 35 farmers there, and the packers require 35 steers. Is not the competition the same? You have taken these 65 steers direct to the plant, and you have taken 65 steers off the open market. Now, you have subtracted the same quantity from both sides of the equation?—A. I must admit I don't just get your question.

The CHAIRMAN: It is algebraic.

*By Mr. Young:*

Q. You have 100 farmers each coming in there with one steer; the packers require 100 steers—there would be the need for these steers. But instead of having them there, 65 go direct to the plant. The packers require another 35 to keep their plants going, and there is only 35 on the market?—A. Yes.

Q. Would there not be just as much demand for these 35 as there would have been for the 100?—A. No, 65 steers will almost keep them going.

Q. Not if they require the 100?—A. If they got the 65 they would not be quite as keen as though they required the 100.

Q. All right then, we will take it that there are 100 steers on the market, and the packers say we can get along with 65 and they only buy 65; what becomes of the other 35?—A. In this case your question would really mean they were wanted by one packer, but on the market there is more than one packer.

Q. Not necessarily one packer?—A. Let me answer it this way: This one processing house has the 65 steers, and we will say there are three processing houses that require 100.

Q. We have heard it said here that 65 per cent are going to the packing houses, that the packing houses get 65 per cent of their requirements direct?—A. That does not apply to cattle.

Q. What is the percentage of cattle?—A. We do not know.

Q. Somebody said 20 per cent of cattle, and 65 per cent of hogs?—A. We do not know, there are no statistics available showing the amount of cattle that are bought direct by the processing plants.

Q. The percentage would not make much difference if the packers only get about 10 per cent at the packing house; that would leave the market with 80 per cent—only 20 per cent removed; it seems to me that would not make any difference, so far as competition is concerned, whether they buy that outside of the yard or not?—A. I do not suppose we could arrive at a definite conclusion there. I am expressing my opinion that it has a depressing effect. Now, as I said awhile ago, I cannot prove it.

*By Mr. Factor:*

Q. But that is your feeling?—A. That is our opinion, that it has a depressing effect.

*By Mr. Kennedy (Peace River):*

Q. A little while ago you answered a question with regard to the competition between the seller and the buyer; I believe the cooperative organizations have been built up on the basis that they could sell their product, with proper organization, better than for local buyers to come and buy a cow here and a pig there, and so on.

Mr. SENN: You mean selling in their yards?

*By Mr. Kennedy (Peace River):*

Q. By the commission men buying in the yards; and in that case the general opinion is that such organizations are likely to be better sellers of live stock than individual farmers scattered throughout the countryside in Manitoba, or in any other part of the Dominion of Canada?—A. I would say so, yes.

*By Mr. Senn:*

Q. Just along that line, I would like to get back to the practice in loading alleys. You say a competent seller can possibly do better work with a single buyer, and Mr. Kennedy has mentioned the information that is available to him. What factors do enter into the setting of the price that he is going to ask?—A. There are two or three things that enter in there: first of all, is the amount of live stock on the market that particular day; the second factor is the quality of that live stock that is on the market; and the third factor is information from other markets indicating the amount of live stock on the other markets, and the tendency of those markets.

Q. Does not the demand have something to do with it?—A. If the supplies are small, yes. If we have a market day with light receipts, we naturally feel that the market should be a trifle stronger, and work on that assumption.

Q. I suppose there are certain times when the packers' institutions are wanting a certain class of live stock, or cattle, or hogs, or so on; how do you know what their demand is, or do you take only one buyer in?—A. Of course, the live stock is put into classes; as far as our own organization is concerned, we have four salesmen—one man sells a certain type of steers, another man sells the females, and the third man sells the cows and bulls; then we have a man that sells the hogs and the lambs, and each one is charged with knowing what the condition is before he starts operating on a certain day.

Q. What particular live stock exchange exercises the greatest influence over yours. You said it was the supply on other exchanges, and other conditions which were factors entering into the setting of prices. Which one exercises



the greatest influence upon yours?—A. I would say Montreal, as far as hogs are concerned; Toronto at times, of course, but Montreal more particularly on hogs.

Q. What about cattle?—A. Montreal is interested in a certain class of cattle, and Toronto is interested in a little different class, so they keep pretty well balanced up.

Q. But it is really these two markets which influence your market so far as price is concerned?—A. Yes, they are the two large markets—outside St. Boniface market—these three are the largest markets in the Dominion.

*By Mr. Kennedy (Winnipeg):*

Q. There is one phase of this I would like to clear up with your assistance. You are the secretary-treasurer of the Manitoba Co-operative Live Stock Producers Limited?—A. Yes.

Q. Now, that is a company with a provincial charter, I take it?—A. Under the Co-operative Associations Act.

Q. And any profits accruing from the operations of that company go to the shareholders of it?—A. Yes.

Q. And the profits that your company makes (or loses) whatever they are—let us assume that they are profits for the moment—any profits that accrue through the operation of your company are derived from the operation of marketing live stock for the producers; is that right?—A. Yes—better make it “any earning.”

Q. All right, any earnings. Any earnings that are derived from the services rendered by your company in marketing cattle for the producers?—A. Yes.

Q. Then it must follow that any earnings of your company must come out of the producers?—A. Absolutely, yes.

Q. And the higher the earnings of your company are, the lower are the net earnings of the producer?—A. Naturally.

Q. Let us go one step further; from the money point of view the interests of your company and the interests of the producer are by no means identical, in fact they are opposite?—A. How do you figure that out—pardon me for putting it that way, I did not intend to be rude.

Q. That is all right. If your earnings must come out of the producer, then the greater the earnings of your company are, the less are the returns to the producer?—A. Let me answer it this way—

Q. I know, but that is reasonably obvious?—A. The way a commission firm operates on the market is at so much per car or at so much per head, and that as a matter of rates covering the firms operating.

Q. Yes, I am not questioning rates; I just wanted to get the background of it, because of the name “co-operative”—I do not say there is any intention to mislead—there is the implication there of the pool idea, but the fact would be that any earnings through your company comes out of the producers?—A. Yes.

Q. And the greater the earnings are—I am not saying they are too high at all—but the greater they may be, then the less is the net return to the producer?—A. Yes, I will answer that in just a moment.

Mr. ILSLEY: I think he should be permitted to explain.

The WITNESS: The organization is the producer himself.

*By Mr. Kennedy (Winnipeg):*

Q. I see?—A. The organization is the producer himself. I happen to be working for over 1,000 farmers in the Province of Manitoba, quite apart from several thousand belonging to the Saskatchewan organization.

Q. Does your organization handle any of the stock other than your own members?—A. Yes, we do.



Q. What percentage?—A. I would say, around 40 per cent.

Q. Yes. Well, your company is an ordinary joint stock company.—A. No, it is under the Co-operative Associations Act.

Q. I know, but any surplus of earnings which you have goes simply to your shareholders?—A. To the members.

Q. Yes, and you do market considerable stock for non-members of your association?—A. Yes.

Q. Then, it would be fair to say that the interest of your organization is not identical with the interests of the producers generally?—A. Well, it is a producers' organization.

Q. Yes, I know?—A. And when they built up the organization, they built it up having in mind that it was going to be of service to them.

Q. Well, I am not arguing that really at all; I just wanted to get the basis of it. I understand you.

*By the Chairman:*

Q. That is, any excess earnings that you have at the end of the year—what becomes of them?—A. It goes back to the producer.

Q. Your members?—A. Yes.

Q. In the distribution of dividends?—A. Yes.

*By Mr. Factor:*

Q. But it does not go back to the 40 per cent of the producers who are not members of your association, that is what Mr. Kennedy means?—A. No, it does not.

*By Mr. Kennedy (Winnipeg):*

Q. That is exactly my point, your interests are not identical. In so far as any of the shareholders of your organization are concerned, naturally any increased earnings they share in, but these non-members do not share in these earnings?—A. No, they do not.

Q. And it would be better so far as your business is concerned if all live stock was forced—I do not say through your company—through the stockyard and sold there, and not direct to packers?—A. As far as the earnings of our organization are concerned, yes.

Q. And would be wrong to assume that earnings are the chief reason for your company being in existence?—A. Yes.

Q. It would be wrong?—A. Yes, it is wrong to assume that; we are a service organization.

Q. I know, yes. But apart from the philanthropic outlook, it comes down to this—and I am not reflecting on your organization?—A. I do not take it that way.

Q. Its real purpose is to do business, we will say, honestly and profitably?—A. Under the system that we have operating in this country, that we must do.

*By Mr. Ilsley:*

Q. But the main purpose of your organization was not to invest money and make a return on the investment, but to help your members as producers?—A. That is the sole purpose behind the organization.

Q. Yes, that is very different.

*By Mr. Factor:*

Q. How is it you only succeeded in getting 60 per cent of the producers to become members of your cooperative?—A. Well, we haven't got 60 per cent.

Q. How many have you got?—A. The business that we handle is 60 per cent from our members and 40 per cent from others. We have not 60 per cent of the producers in the Province of Manitoba.

*By Mr. Senn:*

Q. Is there a limit to the dividend paid on your capital stock?—A. We have no capital, it is a membership organization.

Q. It has no shareholders?—A. No, it is a membership organization.

Q. Do all the profits over expenses go back to the members of your organization?—A. Yes.

Q. On the basis of their consignments to you?—A. On the basis of the live stock that they have contributed to the organization to handle. But it might be well just to give a brief explanation there. The earnings of a sales agency, a commission firm, which is commonly owned, can never amount to very much as far as the producer is concerned. What he hopes to realize out of an organization of our type is service in the handling of the commodity. In statement No. 5, I think it is, 1·8 per cent is the total amount that we get for the services rendered. Out of that we have to carry the overhead of the organization; and there on that same statement you see \$279,000 worth of live stock. So you can understand that even though we were making 20 per cent on the gross income, that it could never amount to much by way of a bonus back to the producer; so it boils down to a service organization, and that is what we are trying to be.

*By Mr. Factor:*

Q. Service to the extent of getting better prices for your product for your producer?—A. That is the idea behind the movement, yes.

*By Mr. Young:*

Q. Well, all the stuff that is consigned to you is sold on the yard?—A. Yes.

Q. None of the stock that is sold to the packing house goes through your hands?—A. None at all.

Q. You spoke a moment ago about the trucker preferring to go to the packing house, and I think you said if the trucker takes a load to the yard, he has to pay out of his earnings the yardage and commission, is that right?—A. He is operating say on a flat rate of 50 cents—for purposes of argument—and we will say he has one cattle beast that will realize 38 cents for himself if he goes through the yards.

The CHAIRMAN: Is that 38 cents per hundred pounds?

The WITNESS: Yes, 38 cents a hundred pounds. If he takes that same cattle beast to the plant he will realize the 50 cents a hundred.

Q. Suppose the farmer said to him, I want you to take this animal to the yard, would not the trucker reply, you have to pay a higher rate for that?—A. In some cases they operate on two rates. We had heard one or two complaints, that in a great number of cases the producer is under the impression that his stock is delivered to the yard.

Q. I see. Can you tell us whether there is any increase in the percentage of stock going to the packing houses over the railroads?—A. I would say, yes; there has been an increase this last while.

Q. How do you account for that?—A. In many cases, endeavouring to market it a little cheaper. Let me put it this way: a man that is shipping out of a certain district—now these are men belonging to our organization.

Q. They have to ship to your organization?—A. Yes, they are all bound under the organization to go to the public market. We will say an individual is shipping co-operative live stock.

Q. Co-operative live stock?—A. Let me put it that way, marked live stock. He will go to a producer and tell him he can take it to the plant at 10 cents or less a hundred than he used to, say, last year, and the producer will think he is saving and he will be satisfied to let him take it to the plant.

Q. Does he explain to him that it is going to the plant instead of to the yard?—A. I do not know, but I know that is happening in some cases—generally, I do not know.

*By Mr. Senn:*

Q. You mentioned co-operative live stock. Do any of the independent shippers market through your organization?—A. Yes, part of that 40 per cent is taken up through independent men operating through our organization.

*By Mr. Ilsley:*

Q. You are suggesting that those who are selling to the packing plants now should be prevented from doing so if that can be done by some legislation?—A. Yes.

Q. Now, do you know about what proportion of the hogs in Canada go to the packing plants? We have that, I think, 65 per cent.

The CHAIRMAN: Generally, it was stated.

Mr. ILSLEY: The 65 per cent.

WITNESS: I have not worked that out particularly.

Mr. KENNEDY (*Winnipeg*): According to the evidence we got yesterday from an official of the Department of Agriculture it was about 58·8 per cent last year going direct to the plants and 41·2 per cent to the stockyards.

Mr. ILSLEY: Yes, and the proportion is increasing year by year.

Mr. KENNEDY (*Winnipeg*): This was for 1933.

Mr. ILSLEY: Yes. I say the proportion is increasing year by year.

The WITNESS: It appears to be that.

Mr. KENNEDY (*Winnipeg*): There are some figures going back for a ten year period.

Mr. ILSLEY: Has it not increased?

The WITNESS: I know that—

Mr. KENNEDY (*Winnipeg*): It only increased 1·2 per cent in ten years.

The CHAIRMAN: Mr. Ilsley, with regard to that point, when it came up yesterday I looked up the reports, and in the last five years it has increased. In that ten year period there have been several additional yards established which are not taken into account—the weight of that is not taken into account.

*By Mr. Ilsley:*

Q. Now, I gather from you that many of these producers who sell direct to the packing plant are producers of a small number of animals?—A. Yes.

Q. Is that correct?—A. Yes. You said many?

Q. Yes?—A. Yes, that is all right.

Q. That is what I gathered from your own evidence?—A. Yes.

Q. It would follow from that that a larger proportion than 58·8 per cent of the individual producers of hogs in Canada—perhaps a considerably larger proportion than that—are selling in the course of the year all their animals direct to the packing plant?—A. Yes, they are.

Q. The proportion of sellers would be greater than the proportion of hogs provided it is the small sellers who are doing it?—A. In that picture. As I said a while ago, and somebody kind of wondered whether I was all wrong—that no statistics were available as to the amount of cattle and lambs going to the plants.



Q. I know that. I left out cattle and lambs because of that fact, but I am talking about hogs?—A. The reason why the hog statistics are available is because they are graded; they are graded at the plants as well as at the yards.

Q. This is the thing that occurred to me—it may occur to some of the others also: if that law were passed preventing that, it would compel a great majority of the hog producers in Canada to desist from doing something that they think it is to their advantage to do. That is correct, is it not?—A. I will try to give you a picture there as far as hogs are concerned. I do not pretend to know anything about the situation in the east, but I do think I know something about the west. In Alberta, the majority of hogs are sold on a f.o.b. basis. That is, we have in Alberta a certain number of local associations and they sell their hogs each week on what we call a f.o.b. basis. They are sold in a competitive way. Bids are forwarded from the processing houses to certain firms that are agents for these associations. Possibly five bids come in, and those hogs are sold to the highest bidder and they are part of those hogs that go into the plants direct. The same applies to a certain degree in Saskatchewan, not so much. Some of our local associations are selling their hogs on a f.o.b. basis; so, taking 58 per cent as the basis, it would not be fair from the number of producers point of view, because they are actually sold on a competitive basis. A large part of the Alberta hogs are sold on competitive bids, and a certain proportion of the Saskatchewan hogs are sold on the same basis. So, 58 per cent is not the true picture as far as the west is concerned.

Q. Competitive bids from the packing houses?—A. Yes, competitive bids from the packing houses.

Q. I still come back to this, if the thought is worth developing—you see we are confronted with the necessity of considering some remedy?—A. I understand what you mean.

Q. Now, if a law could be passed and were passed preventing these hog producers from selling direct to the plant this would refrain the majority—the overwhelming majority of hog producers in Canada from doing something which they apparently consider it to their advantage to-day?—A. I thought I had made my explanation clear there, that you are not interfering with the overwhelming majority, because of the fact that those hogs that are sold on bids belong to a great number of individuals, and even though 58 per cent of the hogs go direct to the plants they are sold on that basis, and consequently are not shipped without any prearrangement to the plants.

Q. I am not talking about whether it is prearrangement or not; I am talking about whether you sell direct to the plant or not. Your position is that they should go direct to the stockyard; they should all go to the stockyard?—A. Yes. That is our difficulty and I am trying to answer your question. You feel that 58 per cent of the producers would be legislated against if that was put through, but my argument is that it would not be—I cannot estimate the number—but it would not be 58 per cent, because of so many of the hogs sold on a competitive bid f.o.b.

*By Mr. Young:*

Q. You get an offer from a packing house for 10 cents for so many hogs and you wire an offer to a certain town and they ship those hogs direct to the plant; is that right?—A. Yes. When they wire you get wires from more than one plant.

Q. You get offers from several plants; but you select somebody who offers you 10 cents?—A. Yes, the highest bidder.

Q. After, you wire your local point and say, "Ship so many hogs to such a point." That does not go through the yard at all?—A. No. If you pass a law requiring—

Q. —the stock to go through the yard, you will not be able to do that?—A. No.

Q. You are willing to forego that privilege?—A. I feel—let me put it this way—from the producer's point of view that it would be sound business.

*By the Chairman:*

Q. In other words, you think that those same packers bidding on an f.o.b. basis could just as well bid on the live stock for those cattle or hogs?—A. Yes.

*By Mr. Senn:*

Q. Have you any districts where there are abattoirs located and no stockyards in the west?—A. No. I do not think we have any point in the west where there is an abattoir and no stockyard.

Q. I have a case in mind. Take, for example, the city of Hamilton where there are two abattoirs. Practically all the hogs within a twenty mile radius go to those two abattoirs by truck. Would you say that those hogs should go right past Hamilton to the Toronto stockyard and then go into the yard and have those abattoirs compete there?—A. That is a natural question, and my reply would be this. At Hamilton, a neutral agent should be the medium through which that stock is sold. If those two plants are not prepared to pay the price that is available somebody else will or the stock will be moved on.

Q. I am not saying that they do not pay the price available on the Toronto stockyards, but your contention is that those animals should all go to the Toronto stockyards before entering the abattoir?—A. Yes, I feel—I do not change my thought there—I feel that it would be sound business.

Q. I am afraid you would have a terrible time with the farmers of that locality?—A. I do not doubt that at all.

*By Mr. Kennedy (Winnipeg):*

Q. What I am going to say really continues Mr. Ilsley's point of view. He referred to the figures about hogs; 58 per cent being sold direct to plant and 42 per cent going through the yard. In your explanation there must be some difference of view as to just how the 58 per cent was made up. But we will come at it from the other end. Let us assume that at present 42 per cent go through the yard; would you propose that there should be legislation that would put the other 58 per cent through the yard as well? In other words, 100 per cent of the live stock should go through the yard?—A. That is my idea, yes.

MR. SENN: Would not the same result be accomplished by excepting localities such as I have spoken of.

THE WITNESS: Well, in any move you have got to take the whole picture in consideration and try to work out something that will carry out what you have in mind.

MR. SENN: I am impressed with your suggestion, but I do not think I could support the other suggestion.

THE WITNESS: We have certain recommendations that we are going to try to make.

*By Mr. Young:*

Q. A witness told us yesterday that when stock is shipped by rail to the yards frequently certain carloads are set aside for certain packing houses—they are not allowed to go through the yard; have you had any experience of that?—A. I am not sure that I get your question.

Q. Carloads of stock shipped to the yards are sometimes set aside and sent to the packing houses and do not go to the stockyards at all?—A. Then they are on a direct billing to the plant.



Q. The statement was made that they got there regardless of the billing?—A. No, they do not. They go through to the plant. Some of those small plants, if they happened to buy a load out in the country or buy it on the way into the market, if they have not got facilities at their small plants, that stock would be in the yard and he would drive over to the plant.

Q. I understand from the witness that the cars were not unloaded in the yards at all; the car was simply set aside and went to the packing house?—

A. When they are billed to the packing house that has a siding they are not unloaded; they go direct to the plant.

Q. There is no such thing as switching a car without the consent of the consignor?—A. No, it has got to be consigned by the man who is shipping the live stock.

The CHAIRMAN: Let us try to get along.

*By Mr. Factor:*

Q. It seems to me that if we could only raise the price of live stock all your troubles would be over?—A. I do not know that I would agree with that altogether.

Q. You would not agree with that?

The CHAIRMAN: Let us get on.

The WITNESS: I have some further statements here in connection with direct delivery to plants, but I think I had better not spend time in reading these over any further. I go on to say that no doubt statutory declarations can be secured, and that our experience has been that it can work both ways. I made the statement a little while ago that we found men delivering stock into the yards where it was desperately hard for them to get the same price as was bid at the plants, but it is our contention that the general average is what we are interested in, and we feel it would be better if going through a yard. Then the next question I deal with here is the question of whether or not processing plants should operate under the Live Stock and Live Stock Products Act.

*By Mr. Factor:*

Q. What page is that?—A. That is page 7. I don't think I will take time to read this particular part.

Q. Your recommendation is that all regulations that affect live stock— — A. Public stockyards.

Q. —should apply to packing plants' buying practice?—A. Yes.

*By Mr. Kennedy (Peace River):*

Q. Could you give us a few of the outstanding differences between what happens in stockyards and the plants with respect to this question?—A. The public stockyards have been in operation in this country for quite a number of years, and the Live Stock and Live Stock Products Act has been built up for the purpose of protecting the producer. That is the idea behind the Live Stock and Live Stock Products Act. Under these regulations a commission firm must do certain things. They must put up a bond, a Dominion agriculture bond it is called; they must put into effect a shippers' trust account; they must handle the live stock in a certain way. The public markets company must do certain things also. They must have a scale that is operated by a man that is under government bond. They must have a scale with what we call a type register beam, and they must issue a scale ticket for every transaction covering the sale of an animal put on the public stockyards. As far as the processing plant is concerned, they are not obliged to do any of those



things. They can buy in quantities at their plant without taking out a bond, without having a shippers' trust account, without having a neutral weighman, without having a scale with the type register beam, and in general without following the regulations that are set out in the Live Stock and Live Stock Products Act.

*By Mr. Ilsley:*

Q. Just at that point, the first three you mention would be unnecessary, would they not? The object of a bond and a trust account and something else was to see that the shipper got his money. He will get his money if he sells to the packing plant, won't he?—A. Yes. Generally, I would say yes. We have, in this country, had instances where processing houses might be small houses, and are not as strong as they might be, but generally I would say yes. Still I feel that the producer is entitled to that protection just the same as he secures that protection when he comes to the public market.

*By Mr. Young:*

Q. Do you find any complaints about weights received at the plants?—A. Oh, it works both ways; we get complaints, and we have a lot of men that think they get the correct weight. So I would not venture any statement there that the weights were not correct.

Q. Some think they get better weights at the yard, and some think they get better weights at the plants?—A. It works both ways.

*By Mr. Parry:*

Q. Who does the grading at the packing plants?—A. Men under the Dominion Department of Agriculture.

*By the Chairman:*

Q. That is in hogs?—A. In hogs; that is the only animal that is graded. The others are not graded.

*By Mr. Young:*

Q. You talk as if you were in favour of hog grading, Mr. Ingaldson?—A. I am, yes.

Q. We had a gentleman this morning who was not; but you are convinced that it is better?—A. Yes, I am; and I will deal with that a little later on, if you don't mind.

*By Mr. Senn:*

Q. Would you say it is true that there is less shrinkage in the hauling of hogs weighed in directly at the abattoirs than in the yards?—A. Hogs weighed at processing plants are weighed off cars with us, that is in Winnipeg.

Q. And paid for on an off-car basis?—A. They are paid for on an off-car basis. All hogs going through the yard are handled on a feed and water basis.

Q. Do you think there is very little difference?—A. In the weight?

Q. Yes; is there any advantage in sending hogs direct to the abattoir, from the standpoint of shrinkage? That is what I want to get at?—A. Well, the shrink is, of course, 10 to 14 pounds going to the plant.

Q. That varies very much according to the distance they travel?—A. Yes. The shrink is 10 to 14 pounds. Let me put it this way, we feed a hog on the average 10 to 15 pounds; and naturally that hog, when he goes into the plant and is weighed off-car, is that 10 to 14 pounds lighter than when he is sold through the yards.

Q. There might be a little variance in the price between the abattoir and the off-car weight; would you say that the prices vary?—A. In the settlement at the plant, I understand—now, I say I understand—that they pay 4 per cent over the market for the hogs to allow for that, to make up for that shrink. That is our condition. I don't know what your condition is here in the east.

The next question that I have is in connection with processing plant regulations. I have outlined those fairly well on page 8. As I stated, they are not under the regulations. In connection with that, I feel that the settlements to the producer for marked or co-operative live stock should have a scale ticket accompanying the settlement in every case, and that the settlement be made direct to the producer rather than through the medium of individuals.

*By Mr. Young:*

Q. Will you define that word "co-operative live stock". I think there is a little confusion there?—A. I have used the two terms, marked or co-operative live stock. What I mean there is this: A farmer has two steers, and he ships them to market to be sold at a market or at a plant. In order to keep the identity of those two steers, a clip mark is put on the animal, and that is what we call marked or co-operative live stock.

Q. It has nothing to do with a particular company, this co-operative company?—A. No. It is a common practice. The marked or co-operative stock coming to our market is some say 80 per cent, and I take it at about 75 per cent of all live stock coming in; that is marked or co-operative stock. We only handle between 25 and 30 per cent of all the stock, so you can see that other firms are handling that same stock shipped in the same way.

Q. The extent of the co-operation in that case is just to keep them all in the one car and ship and sell them?—A. Yes, that is it.

*By Mr. Senn:*

Q. Do you have a certain form on which you make returns to the shippers?—A. Yes.

Q. Are they all the same for the various commission houses who are dealing?—A. No, they have different forms; different forms for different firms.

Q. Are there any additional fixed charges on these return bills?—A. Just the pro rating charges that we discussed at the beginning.

Q. No others?—A. No. Our opinion is that the settlement should be made direct to the producer for that marked live stock. We have had experiences in Manitoba where an individual that is shipping on a commission basis takes the settlement for the whole load, of the cattle contained in the shipment, and he will make a settlement possibly right away without any statement.

Q. You have no organization charges or levy of any kind?—A. We have a membership charge that the members pay.

Q. And that is deducted?—A. That is deducted from his proceeds.

Q. And that is the only charge?—A. That is the only one outside of the regular charges. I was going on with this statement in connection with settlement direct to the producer. These men will take a settlement back for the full load, and they might make a settlement to the producer in cash without issuing any statement, without issuing any scale ticket or any evidence as to what the animal sold for. Then he might make up a statement and issue a cheque, and when the cheque is presented there might not be any money in the bank.

*By the Chairman:*

Q. These men are not bonded?—A. No, they are not bonded, not under any regulations. For that reason we feel that the settlements for the co-operative stock should be made direct to the producer.

The next question I have here before me is whether the public markets, the public stockyards, are really essential. It has actually come to the place where it will almost be necessary to decide whether the public stockyard is the medium through which live stock will go.

Q. That is if direct shipments are continued?—A. Yes. I understand we have a condition on the Edmonton market where there is not enough going through there to keep them operating, you might say.

*By Mr. Young:*

Q. That is through the yard?—A. Yes. The question is a pertinent one.

Q. How much is going through the packing house there, plenty to keep them going?—A. I don't pretend to know; but that is my understanding, that they are getting enough to keep them going. As far as our market is concerned we have been handling a fair volume of live stock there over the market; but if the change continues to take place we have got to face it sooner or later, whether public markets can continue operating in this country.

*By Mr. Factor:*

Q. Why do you use the term "public stockyards"? They are incorporated companies, are they not?—A. Well, I don't know what else we could call them.

Q. They are stockyards?—A. They are a public utility in this way, that a man can take an animal into that yard at any time for the purpose of selling, and that is why we call it a public market.

*By the Chairman:*

Q. The public meet and buy and sell?—A. Yes, that is the reason.

*By Mr. Factor:*

Q. It is not run by the municipal government?—A. No, not necessarily. But it is a public utility in this way, that you can bring in your stuff at any time for sale.

Q. In this sense, is not an hotel a public utility? Anybody can go in and register as a guest in an hotel?—A. Yes, I would say so.

Q. I mean the term "public stockyard" seems to convey to me that it has something to do with public ownership?

Q. Yes, I mean to say, the term "public stockyard" seems to convey to me the idea that it has something to do with public ownership?—A. It has not.

*By Mr. Parry:*

Q. Are there private stockyards?—A. Owned by private individuals, yes. It is a term that we use and we don't seem to be able to get away from it.

*By Mr. Senn:*

Q. Are there any stockyards that do not come under the Act?—A. No, there are no public stockyards that do not come under the Act. There is a provision for special licences for small yards when they start operating, and they cannot operate without coming under the Act.

*By Mr. Kennedy (Winnipeg):*

Q. Perhaps these yards are so defined under the Act?—A. Yes, I think they are. Now, there are a number of reasons or arguments that I submit here, and I am going to say that the public stockyard is essential in this country. I don't know but what I might as well read that.



*By Mr. Factor:*

Q. It is the same problem, the packing plant against the public plant?—  
A. It is, but what I am trying to bring out here is this, that we are approaching a difficult question as to whether that utility will continue to be the medium through which to sell live stock. That is the reason I am bringing that in at this time.

The experience in the handling of live stock prior to the time that public stockyards were created indicates that it is absolutely essential that public stockyards be maintained. In thinking back, many can remember the time when all live stock was sold outright on the farm, either to a drover or dealer, or to a representative sent out from a processing plant. If the supply was somewhat restricted the country buyer became active. If the supply was plentiful the buyer was indifferent whether he would purchase any live stock or not and the producer was left in a position where he had to retain the animals on his farm, and in some cases shipments were made to the larger centres and yarded in railway pens and sold by the individual or the dealer as best he could. When the demand was fairly active he was able to realize a price for his shipment, but if the market was glutted he was obliged to sell his live stock at a sacrifice price.

Q. Did you say, at a sacrifice price?—A. That has been the experience of the producer prior to the public market. "Without the public stockyards as a medium there would be no authentic public information available as to price levels and the general trend of the demand for live stock."

*By Mr. Young:*

Q. That would not be done before by the yard?—A. Not unless they had a straight load of that particular type. If they had straight loads they could; but with mixed loads, and the great majority of our shipments are mixed loads, the public yard is the only place where it is convenient to do it. Now then, I go on to describe the effect that has on the situation, particularly with respect to stock that is being shipped in a co-operative or "marked" way; and the processing plant would find it very difficult to secure their cattle. I think that would establish the situation that the processing houses in this country, if they were not in the public market they would find themselves in a rather awkward position.

Q. Are there processing houses at points where there are no yards, trying to get supplies.—A. I do not know. The men in the processing plants I think admit that they could get along very nicely without a cow in the stockyard. They would have to set up a system of buying in the country, and I think that that system would cost the producers of this country just as much as it is costing them now to use the public market as the medium through which to sell their stock. I am confident of that; and if they are discontinued the producer is the one who will actually pay for it.

*By Mr. Kennedy (Winnipeg):*

Q. How would it do to make the stockyards public in every sense so that they would be nationally-owned and operated, then let all live stock go there?—  
A. I think that would be sound. I think that would be sound, although now I speak with definite knowledge of our one yard; I think that yard is operated both efficiently and economically.

*By Mr. Senn:*

Q. Would you carry that a little further and say that the commission work should be done by government officials too?—A. Yes, I do not doubt at all that these men could do as good a job as is being done at the present time.

*By Mr. Edwards:*

Q. Do you think you would have the same competition, the same rivalry, if you had that under government control as you would with individual control?—A. Possibly not the same rivalry, no; but I think we would have similar competition in buying.

Q. Well, I gather that it is your opinion that if you eliminate the stockyards and have only the packers to buy the products you more or less eliminate the competition in buying; at least you have a tendency for a smaller number to get together and fix prices?—A. Yes.

Q. So that you feel that the producer is being much better served by having this competition on the stockyard?—A. I do, yes.

Q. There is just another question I want to ask: Mr. Kennedy, of Peace River, brought this up the other day when we had a manager of a Toronto firm on the stand, and the impression was abroad pretty much in Ontario that the overhead charges in the packing plants were considerably increased by high salaries and so forth. Now, the members of your mutual company are not of that opinion I take it; you think your plant is managed economically?—A. Just let me get that question again?

Q. No excessive salaries are paid?—A. In our organization?

Q. Yes.—A. No, we feel that there is not.

Q. Your people are satisfied?—A. The producers are satisfied, yes.

*By Mr. Kennedy (Peace River):*

Q. Explain the salaries to the committee, will you?—A. Yes, I haven't got that, but I will try.

*By Mr. Edwards:*

Q. You are the secretary-treasurer?—A. I could give them to you off-hand.

MR. EDWARDS: I am not asking for particulars.

MR. KENNEDY (*Peace River*): You might file a statement.

THE CHAIRMAN: File a statement with the Counsel of the Committee.

THE WITNESS: Yes, I can do that; I remember just what they are.

*By Mr. Edwards:*

Q. Just another question, if it is not asking too much; you said you are building up a sinking fund of 5 per cent amortized over 20 years?—A. Just pardon me, there, you are confusing the public markets, or public stockyards; Public Markets Limited is the name of our yards, and our own organization.

Q. You are just selling?—A. I am not representing the public stockyards, or Public Markets Limited.

Q. That is owned by the railways?—A. Owned by the railways, and operated by them.

*By Mr. Young:*

Q. You are really a commission firm?—A. Yes, we are selling.

*By Mr. Kennedy (Winnipeg):*

Q. You are a provincial commission firm, a co-operative?—A. Yes.

*By Mr. Kennedy (Peace River):*

Q. Do you think this is the chief point you have been making: that the public stockyards should have better information as to the price levels and the general trend of prices?—A. Yes, that is one of the points that I tried to bring out.



Q. Do you think it would help then under present conditions if we had public information regarding the prices paid by the packers on every load shipped direct to the packing plant?—A. I do not think that that would change the price level, but I think it would show in some cases at least that the price is not retained as high.

Q. Do you think it would be a good thing, from the standpoint of the producer, to have that information?—A. Yes absolutely.

*By Mr. Parry:*

Q. It would tend to make the competition more fair?—A. It would not change the competition if they continued to get as much as or more than they are getting at the present time direct to the plant. It would not change competition, but I do feel that it would be information that the public is entitled to. Now, the next question—I am going to leave that, I am afraid I am taking too long.

The CHAIRMAN: All right, go ahead, Mr. Ingaldson.

The WITNESS: The next question I have here is sudden change in prices, the fluctuations in price levels. Now, that is a pertinent question, and the first reaction will be that we cannot do anything about it. That I think would be the first reaction of this committee. But we feel that something should be done, and again I refer to the recommendations, in building up a more steady price level than we have had during the last two or three years. We have had the experience of hogs going up a half a cent a pound, or three-quarters of a cent, during the day. We have had the experience of that jumping action, up a certain amount and then down a certain amount every four or five days.

*By Mr. Young:*

Q. Have you ever checked these fluctuations against the British prices?—A. Yes, and I have given you a lengthy statement here indicating the trend back and forth.

Q. We follow them do we?—A. To quite a degree.

Q. Not entirely?—A. Not entirely, no; but to quite a degree.

Q. Sometimes we have independent fluctuations of our own?—A. Oh yes, quite often we have independent fluctuations.

Q. Have you ever tried to trace the causes of them?—A. We have tried to, but I would not be prepared to make any statement as to the conclusions that we have come to.

*By Mr. Senn:*

Q. How could our price fluctuations follow those of the British market in the case of hogs and bacon, when the hogs are bought and paid for here perhaps a month before the bacon is delivered in England?—A. Well, I do not know that I would be qualified to answer that question. But we do know this, that if Canadian bacon drops four shillings and a cable comes through, we expect next morning to take a lower price. We know that to be the fact, but I would not attempt to say anything more about it.

*By Mr. Ilsley:*

Q. It varies with the prospects in the British market, doesn't it?—A. I do not know.

*By Mr. Kennedy (Winnipeg):*

Q. Naturally, if the cable is up prices respond?—A. They do, if the tendency is higher, they go up; it works both ways.



*By the Chairman:*

Q. I notice, Mr. Ingaldson, you say in your brief: "In our opinion the sudden changes that take place are brought about, to a large degree, through competition in the selling of meats and meat products. That competition is created by the processor of meats and meat products and also by the retail trade. A large retail buyer, whether it is chain stores or departmental stores, owing to the large volume handled can almost set the price that they are prepared to pay the processor of meats, and then in turn the meat is sold as a leader frequently at low prices." Would you please elaborate on that just a little?—A. We express that as an opinion. We cannot prove it; but here is what we know: we go into a retail store, more in particular the chain store, and we will find that a certain class of meat on a certain day is sold below what we consider is the actual cost of that commodity. They use that as a result, as a leader; and we have had some men in the processing game make the statement to us that the large chain store, or departmental store, will go into their plant—or into their cooler, and make a bid for a certain number of carcasses on the rail; and just as much as say to the processor, "Take it or leave it"; and that is why I made that statement.

*By Mr. Young:*

Q. "Take it or leave it," if the processor does not take it, then what does he do with the meat?—A. That is the question.

*By the Chairman:*

Q. The chain store being a large agency for the distribution of meats, and following a policy such as you have described, the effect of that would reflect back upon the price paid in the market on the hoof?—A. Oh, yes, that is the inevitable result of a cycle of that kind.

Q. In other words, the producer would pay for that reduction which is arbitrarily fixed by the large buyer?—A. That is our opinion.

*By Mr. Factor:*

Q. What is the spread in price between that received by the producer and that sold by the retailer, do you know?—A. Well, we have no authentic information. That first example here is merely used for the purpose of bringing it to your attention as a committee in the hope that the whole question would be enquired into, and, if possible, find out what is actually taking place.

*By Mr. Young:*

Q. It would be much easier for us to find out, if you were to tell us when this was done, and by whom??—A. Well, I know. I do not suppose that we can furnish that evidence; it is outside of our circle.

Q. Is it hearsay evidence on your part?—A. No, it is not hearsay evidence; it has been given to me by men in the processing of meats.

Q. Then you could give the secretary the name of the man who told you and the date when it was done and the firm that made the offer?—A. Yes, I could do that.

Mr. EDWARDS: Would that be good evidence?

Mr. PARRY: You can give us the name and the date?

WITNESS: I do not know that I can give the date, but the approximate date.

Mr. PARRY: You will do that.

WITNESS: I can do that.

Mr. PARRY: We can investigate. We have so many statements which are unsubstantiated, and we want to know the fact.

WITNESS: I appreciate that. In my brief I do not pretend to be an authority on it. We are expressing there an opinion the same as, of course, has been expressed before.

*By Mr. Ilsley:*

Q. You have been very fair about it, I think?—A. I could go on and discuss it a little further. Here is one little item that might be of some interest. Price cycles in hogs have been so low that in 1932 our producers more or less went out of the hog business and now they are going into it pretty heavily.

*By Mr. Young:*

Q. Why are they going into it now?—A. Because of the better price.

Q. And is it your experience that they generally go in when prices are high and go out when they are low?—A. I am sorry to admit that that has been the experience; and yet, we cannot blame the producer for that, because he is placed in the position that he has got to try and live, and he is trying to fish around to see what he can best do. If beef is selling fairly well he will try to raise beef and if milk is selling reasonably well he will try to raise animals that will milk and when he has got that far the price changes and he tries to go into something else and when he has gone into that something else, something else changes and he is continually in a cycle that he cannot get out of. Once something is done to try to make it possible for him to realize a certain definite price then our producers can become again effective.

Q. He is following the market?—A. He is trying, but he cannot do it; it changes so often and so suddenly.

Q. Are there any producers who seem able to anticipate the market?—A. No, I do not think so.

*By Mr. Factor:*

Q. What percentage of the production of live stock is domestically consumed particularly in Canada?—A. Oh, I would say about 90 per cent.

The CHAIRMAN: In Canada?

The WITNESS: Yes.

*By Mr. Factor:*

Q. So that the sale of the meat and meat products would have some effect on the price level of the live stock?—A. There is no question about it. Just at the present moment the hog situation is a little different, but that is an odd situation, and I am afraid when our producers, in another year or so, get back into a heavy supply of hogs, unless some definite plan is made, we will find once more that they are up against the same problem of dropping prices.

Mr. YOUNG: What do you mean by "some definite plan"?

*By the Chairman:*

Q. I was going to ask that question. In your memorandum you have one observation right under your hand now, "a definite plan should be devised whereby the sudden and drastic fluctuation in price be reduced to a minimum"; and that is virtually repeated in your recommendations?—A. Yes.

Q. Would you mind giving to the committee any suggestion that you have in mind that will give effect to that idea?—A. Here is the position. 90 per cent or over 90 per cent of our cattle are consumed in this country.

Q. Over 95?—A. Meat is an article that is consumed daily. The purchasing power of our Canadian consumer varies, of course, but, generally, it is low now; but take it over a period of years it is reasonably the same. The

consumer is not interested in continual fluctuation in price on meats he is purchasing for his table. He would be quite content to buy meat the same as milk—you were talking about milk this morning—at a fairly steady level during the year. There might be a little hump here when the supply is not as plentiful, a little bit down in summer when the supply might be a little heavier, but on the average when we are consuming practically all of that commodity we should be able to have a reasonably steady price, and if that were the condition our producers in this country—I now speak of western Canada—would be content to go ahead and breed and feed live stock of quality required by our Canadian consumers.

*By Mr. Young:*

Q. Having done that, having reached the point where it would be possible for them to breed and raise good live stock, would not they raise more of it?—

A. Yes.

Q. And then what would become of our 90 per cent consumed at home?—

A. If we raised more of it?

Q. If we raised more of it?—A. It comes in to a plant.

Q. Wait a minute. We are going to raise more cattle because it is more profitable. At present we consume 90 per cent. If we double our output, and double our production, we cannot double our consumption, can we?—A. No, I do not expect that to be done, and that is why I say that if we are going to make the live stock industry of this country worth anything to the producer we should have some definite plan that we can rely on, and he will adjust his endeavours according to that plan.

Q. You suggest adopting a plan to give him a constant price?—A. A reasonably steady price.

Q. How are you going to prevent him, when that price is profitable, from raising so much stock that he will glut the market?—A. Of course, that is going to be a problem.

*By Mr. Factor:*

Q. Is not the solution the development of an export market for his cattle? That was told to us yesterday?—A. Yes, of course that is a solution to a certain degree.

Q. To a large degree?—A. But are we not in all the different countries to-day being fenced in by a certain corral; is that not our position?

Q. That has been the trouble.

*By Mr. Kennedy (Peace River):*

Q. Do you not require a plan in regard to breeding and feeding?—A. Absolutely.

Mr. SENN: I have not heard the plan yet.

The CHAIRMAN: Might I ask you what you consider—

*By Mr. Ilsley:*

Q. I asked a question whether it did not lead inevitably to a rigid curtailment of production. He seems to be skirting around it. You say you will adjust your breeding and feeding in accordance with a plan. What do you mean by that? How are you going to curtail production?—A. Absolutely, if we cannot find a market.

*By Mr. Edwards:*

Q. It is the same with a factory when it is overloaded?—A. If we cannot find a market for our surplus live stock or anything else the only thing to do is to curtail that particular commodity to meet with the demand.



*By Mr. Factor:*

Q. Would it not be better to develop the export market and sell the surplus cattle?—A. If we could do that, yes; but as I said a while ago the corral is being made smaller and as a result of that we have got to face that. My contention is that we cannot go ahead without facing it, without recognizing that we have got to do something.

Q. So, you are going to say to each farmer that he shall raise so many steers and no more?—A. Yes.

*By Mr. Ilsley:*

Q. And you are going to say to the farmer who proposes to raise steers, you shall not raise any?—A. If that is necessary, because if there is no market there is no use of them raising steers. I think we will find a market. I am very confident we can find a market, but if we cannot find that market there is no use to go ahead without doing something about it.

*By the Chairman:*

Q. Now, may I become a little more specific. You have mentioned simply a plan. May I ask you this question: in your opinion, what price is a minimum price at which good steers should be marketed, we will say, at Winnipeg, in order that there may be a fair return to the producer?—A. A choice quality butcher steer, 1,000 pounds or over, on the Winnipeg market should be 6½ cents a pound.

*By Mr. Senn:*

Q. Would not that depend altogether on the price of feeds?—A. Naturally. Yes, the cost of production has got to come into the picture. That is the cost of getting that animal up to a certain age.

*By Mr. Kennedy (Winnipeg):*

Q. It varies from year to year?—A. Yes, it does.

*By Mr. Senn:*

Q. You are speaking of the present time?—A. Yes, I am. Taking coarse grain at a cent a pound—oats and barley at a cent a pound which I think the producer can grow it at.

*By Mr. Kennedy (Winnipeg):*

Q. It would not be practical to fix a given price such as you suggest, would it?—A. I am not talking about fixing the price. I am talking about an understanding in the industry. As it is at the present time there does not appear to be any understanding. The producer is left in a position where these sudden fluctuations make it so that he does not know from day to day what is going to happen.

*By Mr. Senn:*

Q. The law of supply and demand is not good enough to-day to fix prices by?—A. No. I would say no.

*By Mr. Young:*

Q. Now, this morning we had a gentleman who outlined a plan for allowing certain farmers to produce milk, and now we have one who will allow certain farmers to produce cattle, and next week we will have one with the same provision for wheat, and when we have got around all the products what are you going to do with the rest of the farmers?—A. I do not pretend to know it all,

but are we, in thinking of the interest of our country, Canada, justified in continuing without making some concerted definite effort towards making it possible for basic industry in this country to continue.

*By Mr. Factor:*

Q. You advocate restricted production?—A. If you like. You are definitely faced with it if you cannot find a market, and that is the job of those that make concessions of one kind or another between countries—if we cannot find a market what is the use of allowing the producer of any commodity—live stock or anything else—it does not matter—to continue without any system or any plan?

*By Mr. Kennedy (Peace River):*

Q. You are only advocating restricting production when there is too great a surplus?—A. Absolutely. Coming back to hogs—

*By Mr. Factor:*

Q. Wait a minute. You are also advocating the fixing of a better price which, in itself, will increase production?—A. Pardon me, I did not say fixing a price, but I did say a steady price.

*By Mr. Edwards:*

Q. Without too great a variation?—A. Without too great a variation, seasonal fluctuations.

*By Mr. Young:*

Q. How will you fix that? Prices will not keep level unless you do something to fix them?—A. Now, let me try to outline the picture. In 1932, in connection with hogs, we had possibly—what was it we shipped out that year—some 50,000,000 pounds of hog products.

Mr. SENN: 32,000,000.

The WITNESS: 32,000,000. That was less than 5 per cent. Let us make it 5 per cent. We were operating without any plan, without any special governing regulation in connection with the handling of that product from the time it left the producer until it reached the consumer. Hogs went down to \$2.65 on our market. That was in line with the old country market, on account of the money situation and one thing and another; but do you mean to tell me there was any reason why hogs in this country should go down to that level, if there had been a plan to take care of that? The consumer was not asking for hog products down that low. The consumer was quite satisfied to pay a reasonable level.

*By Mr. Young:*

Q. Why do you say that?—A. Because I know consumers to a certain degree.

*By Mr. Factor:*

Q. They didn't have the purchasing power?—A. Their purchasing power was not any greater or less than what it is to-day, and they are buying hog products to a certain degree.

*By Mr. Young:*

Q. You mean the unemployed or partially employed were willing to pay high prices?—A. The unemployed are taken care of in this country.

*By Mr. Ilsley:*

Q. By whom?—A. By the state, by the government; and do you mean to say that the government would not have been prepared to pay two cents more, on the basis of two cents more for a live hog, to keep these men living, and

women, rather than to let them go down to the level where the basic industry of the country is going to be driven out of business?

*By Mr. Factor:*

Q. Pardon me, but I notice here that the government is buying beef in Calgary at one cent a pound for sixteen relief camps in British Columbia?—A. One cent a pound?

Q. Yes, that is what it says.

The CHAIRMAN: What is that? What is the authority?

Mr. FACTOR: It is a clipping from a British Columbia paper.

The CHAIRMAN: Well, I doubt if that is anything authoritative.

*By Mr. Young:*

Q. Do you think the relief chits issued we will say by the Saskatchewan Relief Commission or other relief commission, would be increased if the price of pork went up five cents a pound?—A. I am sure they would.

Q. You are sure?—A. I am sure they would.

Q. Do they fluctuate with fluctuating prices?—A. They are paying fluctuating prices now and that is what we are objecting to.

Q. They change from day to day with the price, do they?—A. Sure they do.

Mr. EDWARDS: You had better make it clear; you said that the government was buying beef; that is the British Columbia government buying it.

The CHAIRMAN: It is six o'clock, and it is obvious that we are not through yet. We will adjourn until to-morrow at 11 o'clock, when we shall try and finish up with Mr. Ingaldson and his friend.

The committee adjourned at 6.00 p.m., to meet on Friday, March 23, at 11 a.m.





HOUSE OF COMMONS, ROOM 368,  
March 23, 1934.

The special committee appointed to inquire into price spreads and mass buying met at 11 o'clock, the Hon. H. H. Stevens president.

Mr. W. W. Parry, K.C., of Toronto, appeared as counsel for the committee.

The CHAIRMAN: Order, gentlemen. The minutes of the yesterday morning and afternoon meetings indicate the witnesses called and and the exhibits filed. I will declare them approved unless there is some criticism.

Mr. FACTOR: I would like to take this matter up which you have drawn to my attention. It is in connection with the report of the special commissioner appointed by the Department of Labour to investigate the alleged tobacco combine. The Department of Labour appointed a special commissioner. He made a report to the department, and under Section 28 of the Combines Act it is provided that the report shall be made public unless the commissioner reports to the minister that it is not advisable, in the public interests, so to do. The matter of the tobacco question is very important to the farmers of Ontario, as Mr. Senn will vouch. They are not getting within 10 cents of the cost of production of their tobacco and they are being dictated to by the huge tobacco monopoly. This report is very important to the committee, and I see no reason why the Minister of Labour should not produce the report.

The CHAIRMAN: Would you mind passing the letter up to me, Mr. Factor? Perhaps before any further discussion, I might read what the Minister of Labour says. The letter reads as follows:

"Dear Mr. Stevens,

With reference to your letter of February 23 asking that the report on an alleged tobacco combine, made by the registrar under the Combines Investigation Act, be filed with the special committee on price spreads and mass buying, I desire to say that the investigation carried on in this matter, as you probably know, was an *ex parte* inquiry, and it has never been the practice nor is it contemplated by the Combines Investigation Act that the report of an investigator should be made public. Undoubtedly the reason, amongst others, is that when an investigator sees the firms who are under review the information is given him in confidence and any other information gathered by the investigator is taken *ex parte*, without the person or firm whose business is being investigated having an opportunity to reply.

I would respectfully suggest to the committee that any evidence that was available to the investigator under the Combines Investigation Act is equally available to the committee and by subpoenaing any necessary witnesses, those against whom your committee may direct its activities can be present and have an opportunity of presenting their side of the case. I feel sure that your committee will recognize the justness of this course.

The same observations would apply substantially to the registrar's report in connection with the radio sets and tubes inquiry."

That is signed by Mr. Gordon, Minister of Labour. I understand that if we wish, in confidence, to see these files, we can have access to them. The point the minister raised, it will be noted, is this: That the statements contained in

the report are largely *ex parte* statements, or they are statements that are taken without the person representing the other side of the case having an opportunity to be present or to refute them. They are not proven statements in the sense of a hearing being held. They are preliminary to a contemplated hearing, and there is much to be said, I think, as to the soundness and fairness of the Department of Labour's attitude in not making public these preliminary investigations. In any case, that is the situation; but I think the committee could achieve its end quite as well if we were to request access to the files for investigation purposes, and then decided what witnesses we wished to call. There is no suggestion, Mr. Factor, or disposition on my part, to in any way restrict the investigation into either tobacco or radio or other matters referred to.

After further discussion:

MR. FACTOR: Then we will leave it stand until Tuesday morning, when the matter will be finally decided.

THE CHAIRMAN: Yes, and counsel will go into the matter. Mr. Ingaldson is to continue his evidence. I would like, if it is at all possible, to speed up this evidence. We would like Mr. Ingaldson to be as specific as he possibly can in his statements.

I. INGALDSON, recalled.

*By Mr. Parry:*

Q. At the conclusion of yesterday's sitting you were discussing the advisability and necessity of obtaining a definite plan to stabilize the cattle industry and avoid the wide fluctuations that from time to time take place. That is the point you left off at?—A. Yes. I think we had fairly well covered that point. There were some remarks passed last night that I was advocating reduction in production, but that is not my thought. The first thought is that we must try and find the widest possible markets. If we fail to find those markets, then the question of production must enter into the picture. I will leave that. I don't think we need to go any further into that particular question. The next that we have in this memorandum is merely information. I don't think I need take any time to go through examples Nos. 6, 7 and 8. You men, if you think they are of any interest to you, will be able to study them through and arrive at a conclusion. The object there is to try and show, approximately, the resemblance of our market to the old country market. That is for live cattle that we shipped out last year, and for hogs or Wiltshire sides that have been shipped out during 1932 and 1933.

Q. You put these figures on a comparative basis, have the pound and dollar in reflection?—A. Yes, we took it on a 100-pound basis, not a 112-pound basis, and showing the key at the bottom. Example No. 8 gives you the approximate cost of 100 pounds of bacon sold in Great Britain, and if you compare that with the figures, the market price on a given date, you will be able to see whether it compares favourably with the old country market.

*By Mr. Senn:*

Q. By the way, last night you promised to give us some more copies of the report; are they available?—A. They are in the mail, and I will have them this morning as soon as I get back to the hotel, and I will see that you get the copies.

Q. I would like very much to have one?—A. I will see that you get enough copies before I leave, sir.

Example No. 9 is merely to indicate what effect the difference in value of sterling has on the live stock prices. One example there with respect to a hog—if sterling was around four cents, it would mean a loss of approximately two cents a pound live weight.



Then the next question here—and I won't spend much time on it—is the question of grading of beef on the rail. That question has been brought up in the west quite a little and considerable discussion has taken place. In our opinion we cannot see that the grading on the rail of beef would be feasible at this time, we have such a great number of various classes; and in the method of selling adopted at the yard, the seller and the buyer is actually grading these animals when they are going through their hands.

Q. Before you go farther, there is one point that occurred to me in regard to the cost. You show the cost of a pound of pork or Wiltshire side laid on the British market; is the cost of processing included in that estimate?—A. Yes, the cost of processing and delivering. There are two charges that you will note, a charge of \$2.13 costs to seaboard, which includes processing.

Q. By the way, I had a conversation with a gentleman last night who was saying that the cost of processing in Denmark was much less than it is in Canada; can you give any information with respect to that?—A. I am afraid I have not information that is authentic enough to give. That is my understanding, the same as you mentioned, that the method that they have adopted over there cuts down the cost of processing. Of course, there they settle for all their hogs on the rail basis. It is not settled on a live basis. It is settled on a rail basis.

Q. That would not affect the cost?—A. No, that does not affect the cost; but our understanding is that the cost is somewhat less.

Q. Could you tell the committee where that information could be obtained?—A. Mr. Barr has a fairly complete file on that, and we could no doubt secure his file. He was over there in 1931, I think it was, and made a study and secured information. We can no doubt supply that file for information purposes.

*By the Chairman:*

Q. May I ask you this: In your figures that you give in No. 8, when you take \$5.00, that would be a 5-cent rate for bacon?—A. A 5-cent hog, yes.

Q. You add to that the cost of handling that hog?—A. Yes. The first price is the market price of the hog. The dressing percentage is around 71 per cent, so that the actual cost of that 71 per cent works out to \$7.01. Then when they prepare them into Wiltshire sides, as I understand it, there is 79.4 per cent out of that 71 per cent that is actually a Wiltshire side. That brings that cost up to \$8.83. Then the cost of processing and shipping to seaboard is \$2.13. Then the ocean rate and selling in the old country market is \$1.43.

Q. How do you explain the difference between the dressed cost per hundred pounds and the loose Wiltshire, the market cost of loose Wiltshire under the column of the \$5 hogs and under the column of the \$9 hogs; how do you explain the difference there.—A. Well, the \$9 hog of course has cost more in the first place, and when you take 29 per cent off of that, it brings up your cost to \$12.67.

Q. Is it wholly accounted for in the difference in the price of the original hog?—A. It is accounted for in the shrink when the hog is being dressed.

Q. All right, as long as that is understood?—A. It is the killing of the hog, and it is dressed.

Q. I mean, the additional price is accounted for in the additional price of the hog only, no other factor?—A. No, not in that particular statement.

*By Mr. Senn:*

Q. That is the bacon price is it?—A. Yes, I have taken it on the basis of bacon.

Q. I suppose the select hog cost would probably be a little less?—A. No, the select hog would cost more.

Q. There would not be so much trimming on the select; there would not have to be so much trimmed off?—A. Oh, that varies somewhat. I am not just exactly familiar enough with it to answer this question outright, but this was information given to me as to the costs, and I have used it as given.

Going on a little further with the grading of beef, I say that at the present time the two top grades are graded in quite a number of inspected plants, not all of them, but it is a voluntary grading.

Q. On the rail?—A. On the rail, for selling purposes. It is red and blue. The red is the top and the blue is the second. We feel that it would be good business to have the five grades of beef graded, if it is going to be of any real value.

Then in connection with the grading of hogs, there has been a question in the west as to the advisability of grading hogs on the rail for settlement purposes. Owing to the extremely long distances that hogs travel to market, we feel that it is not sound as yet to try to put into effect the grading of hogs on the rail for settlement purposes. On March 5 of this year, it was put into effect that there should be grading of Wiltshire sides in all plants, and they are being branded as a certain brand, but I do not need to go into that any further. I think it is sound business and should be continued.

*By Mr. Kennedy (Peace River):*

Q. What is the effect of having long shipping distances?—A. Well, we will take a farmer in Peace River, for example; if his hog should go down to Quebec city, it will take at least twelve to fifteen days before the return for that particular hog could get back to the producer; and we feel that owing to these tremendous distances that the time is not opportune as yet to put into effect the grading of hogs on the rail for settlement purposes.

Q. Would it not be worth grading on the rail just to ascertain how closely the number of selects and bacon compare?—A. Yes; and I think that the grading on the rail for export purposes is going to be the instrument in giving information as to approximately how it comes out.

Now, I have some other paragraphs here in connection with the actual position of this country and other countries. I am not going to go into that at any length, but merely come to the conclusion and recommendation that we desire to make. I think most of you men have read this over, and I am not going to spend much time in outlining this. I think possibly Mr. Roblin will deal with that a little further. I would like to read the recommendations. They are:—

(a) That provision be made without delay for the establishment of a permanent commission of three members, to be known as the Canadian Live Stock Production and Marketing Commission to perform such duties and to be vested with such powers as the government may from time to time deem necessary or expedient for the purpose of improving and stabilizing the live stock industry.

(b) That a conference to be known as the "Canadian Live Stock Conference" be convened by the government within the next two months and thereafter at least once a year; consisting of one representative of the live stock producers' organization or organizations of each province, together with two representatives of each of the following, namely: The Industrial and Development Council of Canadian Meat Packers; the railway companies joint council; the Retail Merchants Association and the consumers' associations of Canada, to confer with and make recommendations to the said commission on all matters of mutual interest or concern pertaining to the live stock industry.



(c) That such commissioners be authorized to engage the services of one or more experts to act in an advisory capacity to the said commission and conference, and to secure and compile accurate data and perform such other services as may from time to time be required of them.

Now then, there are other recommendations that we make that should be looked into by this commission and conference, but I am not going to take the time to read these, however. Now, the natural question is, what is the reason for making these recommendations? We feel that the live stock industry is working on more or less four sections: The producer is the primary one interested, he is the one that produces the animal; and if we had time to go into some of the prices that were realized by the producer last fall, I know that you would agree with me that he is in a desperate position. Prices are just a trifle better at the present time, but we do not know how long this is going to last; the hog prices are working lower at the present time, and the cattle prices are not any too strong or steady. In October last year on the St. Boniface market, for the whole month, we found that the average price realized for cattle was \$1.96; and out of that had to come the cost of transporting these animals to the market, leaving possibly \$1.30 to the producer per 100 lbs—that included all of the best quality—by taking out what we call baby beef, the average price to the producer was \$1.68, or just a trifle over 1 cent a pound net.

*By the Chairman:*

Q. That is beef?—A. Beef, yes. I have just outlined that briefly for information purposes. Then we have the processing industry, then we have the retailer, and then finally the consumer; and there does not seem to be any understanding between these four groups that are working—or looking after the live stock industry. We feel by a commission and conference that we could bring about an understanding of just exactly what is taking place, and in that way work out a solution to the problem. We are not advocating that definite legislation be put into effect to control a set price and all that; but we do want to see that the industry understands one another, and that confidence be created in the industry as a whole; and I feel, and we feel, that through this medium this can be accomplished. Personally, I have a great deal of faith in human nature—we get checks now and then, but nevertheless we are all human, those that are in the industry from the producers to the consumer, and if we can get together and get to an understanding I feel that something may be accomplished greatly worth while.

*By Mr. Senn:*

Q. Number 4 here says, "a plan whereby prices for live stock delivered to the market would remain steady throughout the year, subject only to slight seasonal fluctuations"; is that the plan you have just outlined?—A. That is the conference that is recommended, if it will be agreed that this conference be put into operation—and this commission.

Q. That is the only plan you have to offer?—A. No, we have other plans outlined; I did not read them because of the time.

Q. It seems to me that the big problem in live stock today is just as you say, stabilization of prices; I think that is what this committee has in mind, to find some method of doing that.

The CHAIRMAN: We would like to have his pertinent suggestions as to how to do that.

*By Mr. Senn:*

Q. So far as I can understand Mr. Ingaldson, he has only this one to offer; the stabilization of prices through this conference?—A. Which I think goes a



little further; I was leaving that more or less to Mr. Roblin. If the conference could not agree, could not find a common ground for working out some of these things that we have outlined here, then in our opinion we must get down to a definite authority for doing that.

*By Mr. Heaps:*

Q. Would you have a fixed price?—A. The Commission, if it is necessary to give them that power; we don't want to ask for that now, we believe that an understanding can be built up.

Q. If you want to stabilize prices, somebody has got to have the power to fix them?—A. Yes, true enough; if those who are in the industry are not able to meet on common ground. But we feel that there are men big enough and bright enough in the industry to meet on common ground and arrive at a decision that some level must be found and retained; but if they cannot find that, then I feel that the time has come as I said yesterday—that we cannot drift on much longer without making some plans.

*By Mr. Senn:*

Q. But you would prefer to have this commission that is proposed try to find a price level?—A. I am of that opinion.

Q. And if they can't agree the proposal is for the government to step in and fix prices—is that the idea?—A. That is, the commission is under the control of the government.

Q. Yesterday, in regard to the bacon situation, you stated quite definitely that the price of hogs in Canada followed the fluctuations of the British market for bacon?—A. Yes, very closely.

Q. How can a commission off-set that?—A. I tried to outline that with the prices of 1933 yesterday; my contention is that we are now shipping out less than 10 per cent of our commodity.

*By Mr. Factor:*

Q. Is not the problem rather to find an export market and to increase our surplus, that in itself will help?—A. Oh, absolutely; the outlet is what we are naturally interested in.

*By Mr. Senn:*

Q. I cannot understand how that will be, because then our domestic price is absolutely dependent on the foreign price?—A. Not when you have such a small percentage of difference.

Q. I do not think that is a desirable situation.

*By Mr. Young:*

Q. Can you show us how we are going to get the domestic price above the export price?—A. The proposition I have in mind is this: the hogs we export are less than 10 per cent, and that is just about where we have been most of the time; my contention is this, that you must put up some medium to take care of that 10 per cent, so that the processing industry can operate without fear of losses on the export or on the domestic basis, as it was in 1932.

Q. What medium would you suggest?—A. I feel that that should be worked under this commission.

*By the Chairman:*

Q. Would you suggest Patterson scheme applied to hogs?—A. It really works out to a similar plan. My contention is that this commission, if it is necessary to resort to that, could be given the power to take care of the surplus, and to leave the domestic market to find its proper level.

*By Mr. Young:*

Q. Its proper level?—A. Yes, so that we could go on working.

*By Mr. Edwards:*

Q. Perhaps you mean, "profitable" level?—A. Not "profitable," I am not talking about that; if your consumers cannot pay the price for the commodity they are consuming, we cannot expect to keep it at a point at which they cannot consume it.

*By Mr. Heaps:*

Q. Do you intend then, in any way, to control production to meet the demands of the domestic market?—A. No, our ideal is to have a world market outside of this country, because we naturally in Canada are a surplus country in live stock; but if we can't find it then, and then only, we have got to take into consideration the restriction of production.

*By Mr. Young:*

Q. Well now, supposing you worked this scheme of yours by some means or other, and devised a plan for the raising of the domestic price higher than the export price; how are you going to stop our people buying bacon somewhere else and shipping it in?—A. That is the question that arises; why are not American hogs coming into this country at this time—that is the same question.

*By Mr. Senn:*

Q. Would it be to the advantage of the Canadian hog producers, if the American hogs were coming in here?—A. Certainly not.

*By the Chairman:*

Q. If you raise the internal market substantially above what the export market is, you would have to impose some import restrictions, quotas, or tariffs; some form of import restriction?—A. That is what we have at the present time in this country.

Q. Well, you would have to do that, would you not?

*By Mr. Edwards:*

Q. That is your opinion, you think that should be done?—A. I am not expressing an opinion on that.

*By the Chairman:*

Q. Put it this way: how would you maintain the internal market above the level of the export market?—A. I tried to outline that to you, but I am afraid I have not made myself clear. My contention is that this board, or commission, if given sufficient powers—if it is necessary to do that—could be responsible for the handling of the export surplus.

Mr. HEAPS: And the imports?

The CHAIRMAN: Just let him finish.

The WITNESS: Could be made responsible for the handling of that export surplus; and then by extending their control, if it is necessary, arrive at a domestic price, irrespective of or apart from the export price.

*By the Chairman:*

Q. Well now, having arrived at a domestic price which is in excess of the export price, and having agreed as to exports, how would you prevent the reimporting of that lower priced export, or the importation of lower-cost products from other countries?—A. Under the present system, the system that we have to-day; that is what is being done.

Q. Yes?—A. If all counties were on a free basis, sure; we would not need these things. As they are not, you have got to work it out.

Q. In other words, you have got to impose a tariff, or a quota, or an import restriction?—A. If we are controlling, yes.

Q. Now, what else have you got?

Mr. FACTOR: I thought we had had enough on that, Mr. Ingaldson.

The WITNESS: I did not know that.

*By Mr. Kennedy (Peace River):*

Q. Do you think the farmer has as much right to ask for any benefits there may be in things such as tariffs as anybody else?—A. If we are operating under that system, absolutely.

The CHAIRMAN: Of course he has.

The WITNESS: We could not do it for one section, and leave another section out of the picture altogether.

Q. Do you think the farmer would be willing to take a chance on having everything open, if everybody else is taking it?—A. Yes, and he would survive, too; he cannot survive under the present system with one thing tied up definitely in a certain sphere when he is left to go without anything.

Q. Do you think we have the right to ask for a regulated price on some products, such as beef, pork, and so on?—A. I think so, yes; I do feel that that is where we are hitting for.

Q. What would be the result if you don't get it?—A. The result is taking place every day in the western country, where men are driven to the wall—driven out of existence you might say. That is what is taking place.

*By the Chairman:*

Q. You think we must have a stabilized internal market?—A. Yes, I cannot see anything else for it.

*By Mr. Young:*

Q. You think that is the logical outcome of the protection given other industries?—A. Yes.

The CHAIRMAN: Yes; plus the inhibitions against our goods going into other countries.

Mr. ILSLEY: We might as well have a budget debate.

The CHAIRMAN: Hear, hear.

The WITNESS: I did not want to get into any debate.

The next thing I have, and I won't take long on that, in order to try and get some information from our producers, and their ideas, we sent out a questionnaire, of which I think you have copies.

*By Mr. Parry:*

Q. Are you filing copies of the answers to those questionnaires?—A. Just whatever is the desire of the committee.

*By the Chairman:*

Q. Are they confidential?—A. No, they are not confidential.

Q. We would like you to file that.

(Replies to questionnaires—exhibit 72, filed).

If you will let us have those replies we can have an analysis made of them?—A. I have a tentative analysis given here covering 84 of the replies to this questionnaire.



*By Mr. Parry:*

Q. Do you regard these 84 replies as being representative of a large section of the producers in your area?—A. Yes. We have among these a lot of men who are heavy live stock producers.

An analysis of the 84 replies received to the questionnaire is as follows:—

- |                            |      |    |     |    |         |    |
|----------------------------|------|----|-----|----|---------|----|
| 1. Top Steers.. . . .      | High | 8  | Low | 5  | Average | 7  |
| Medium Steers.. . . .      | "    | 6½ | "   | 3½ | "       | 5½ |
| Baby Beef Sucking.. . . .  | "    | 9½ | "   | 6  | "       | 8½ |
| Baby Beef Pail Fed.. . . . | "    | 6¼ | "   | 4  | "       | 6¼ |
| Bacon Hog.. . . .          | "    | 9  | "   | 6  | "       | 8  |
| Lambs.. . . .              | "    | 9  | "   | 6  | "       | 7½ |
2. Breeding: 44 decrease, 11 increase, 21 steady. Reason for change 43 low prices, 25 lack of feed, 14 no answer.
  3. Quality in breeding: 27 retained, 21 improved, 33 deteriorated. Reason for deterioration: 12 low prices, 9 lack of sires.
  4. Registered sires: 53 in favour, 28 against.
  5. Deliveries to plant or yards, 32 to both yards and plant, 49 to yards only. Reason to plant: 22 excessive cost, balance no answer. Average price: 23 about equal, 34 consider lower at plant, 11 no answer.
  6. Continuation of stockyards: 82 that stockyards essential. Direct deliveries to yards carloads: 13 want both yards and plant, 68 yards only. Direct deliveries by trucks to yards: 13 want both, 68 to yards only.
  7. Sudden fluctuations: 78 unsettling effect unable to plan. Steady prices with slight fluctuations: 80 that permanent improvement would be the result. Prepared to continue producing at reasonable profit: 81 prepared to continue.
  8. National commission: 71 answer in favour, 6 against. Control Board: 66 answer in favour, 10 against.

I will point out that No. 7 is relatively not so important to-day, because this matter of fluctuations was covered reasonably well yesterday; and No. 8 more or less leads up to the outline of our recommendation.

*By Mr. Young:*

Q. Were these questionnaires sent out to producers or to drovers?—A. They were all sent to producers.

*By Mr. Senn:*

Q. Were they all members of your association?—A. No, not all members. I sent them out more or less to men whom I knew in various parts of the province, whom I felt were men who should be able to make a very good reply.

*By the Chairman:*

Q. There is one question there, No. 5 on your questionnaire, which reads as follows:

When marketing the live stock produced on your farm, do you consign them for sale to the public markets, St. Boniface, or direct to processing plants?

First: In case your live stock is delivered direct to a processing plant, what is the main reason?

Second: Do you consider that the average price realized at the processing plant is as high as the average realized at the public stockyards?

And I note that the answers you have recorded here indicate that 34 consider prices are lower when stock is delivered at the plant, and 23 consider they are about equal?—A. Yes.

Q. So that it would appear from the answers to your questionnaires that there is no attraction to the farmer who sends his stock direct to the plant?—A. No, that appears to be the idea they have outlined; that the cost at the yards is too high.

Mr. FACTOR: You mean the charges, the costs of selling?

The CHAIRMAN: They don't say that here.

Mr. FACTOR: I think you misinterpret the answer, Mr. Chairman; I think that 34 consider the cost more at the plant.

The CHAIRMAN: No, no; the average price received is lower at the plant.

Mr. FACTOR: Is that what the answer is?

The CHAIRMAN: That is what the answer is, and that is what I cannot reconcile with the suggestion that the farmer feels he has to pay too high on stock at the yards; they seem to be utterly inconsistent.

*By Mr. Young:*

Q. Well, who sends there?—A. Of course, they might not be the same men that replied to both questions, do you see.

Mr. EDWARDS: No, but it is an expression of opinion.

Mr. YOUNG: But they say they do better on the yards.

*By Mr. Senn:*

Q. Yesterday you made the statement that it was very difficult to find out—that you were unable to find out—whether the prices were higher at the yards or at the plant; how would these farmers know?—A. Well they shipped their stock to both places and that is the basis they replied on.

Q. I would think they would have to ship part of their stock on the same day both to the plant and to the stockyards?—A. Yes, quite true. They expressed the opinion, however it came to be ascertained. I do not know that it can be done.

Q. Well then, it is not of very much value?—A. Possibly, but to my way of thinking I was anxious to get an expression of opinion, and most of these are expressions of opinion.

Mr. EDWARDS: It would be a good thing to check up on this would it not.

The CHAIRMAN: Well, he is giving us what his check up is.

Mr. EDWARDS: I mean, with regard to the same people on the same day.

The CHAIRMAN: Yes. Are there any more questions you wish to ask Mr. Ingaldson?

Mr. SENN: I think we had better get on.

The CHAIRMAN: I think we had.

Mr. KENNEDY (*Peace River*): Do you think your method of organization and sales is getting any more for the producers of the consumer's dollar; and if so, how—give us an illustration?—A. That is rather a difficult question. We feel we are, yes. We feel that we have been of benefit to the producer. We know in certain sections from the local point of view that the producer was paying possibly a dollar a hundred to market his animals before the organization started, and after the organization started it would possibly cost him 65 cents a hundred, to market them; and then, if for some reason our local went out of existence in that particular area, it was not long until he got back up to the old rate of a dollar a hundred for marketing his stock.

Q. That is to say, you have reduced the costs of the commission man, the general charges, by that much?—A. Yes, the man in the country.

Q. The competition is between your firm and the ordinary commission man?

—A. True, yes.

Q. And you have reduced these charges by one third?—A. I do not know on the public stockyards, but out in the country.

Q. You mean the drover?—A. Yes.

*By the Chairman:*

Q. By the way, Mr. Ingaldson, did not your co-operative society receive a grant last year from the dominion government of ten thousand dollars?—A. That was two years ago.

Q. Two years ago?—A. Yes.

Q. Ten thousand dollars?—A. Yes.

Q. What was that money for, to pay losses?—A. It was partly for that, and partly for carrying on a dominion-wide, co-ordinating organization. It was partly for that, and it was partly to make up losses that we had in 1931 when we were exporting and the Old Country went off the gold standard, you see.

*By Mr. Ilsley:*

Q. What organization got the amount?—A. The Canadian Live Stock Co-operative Limited; not the organization that I am representing, that is The Canadian Live Stock Co-operative (Western) Limited.

*By Mr. Factor:*

Q. They were granted that by the Federal Parliament?—A. Yes.

Mr. MULLINS: Mr. Chairman, might I ask the witness a question?

The CHAIRMAN: Yes, Colonel Mullins.

*By Mr. Mullins:*

Q. Do the old-time exporters, who operated on the yards for years all over the Dominion go there now?—A. I don't know.

Q. Oh yes you do?—A. I do not know.

Q. Oh yes you do; you can answer that emphatically.

Mr. FACTOR: How can he answer it emphatically.

*By Mr. Mullins:*

Q. You were on the yards when I was on the yards?—A. No I wasn't.

Q. Is not the difficulty, so far as live stock on the yards is concerned, due to the lack of the old-time exporter being off the market and not taking the surplus export cattle and shipping them to the markets for which the cattle are suitable; is not that one of the difficulties on the market to-day?—A. I explained that I thought yesterday, when I said that we were gradually being crowded into a corner—it used to be that we could move from 150,000 to 200,000 head to the American side.

Q. To the American side?—A. Yes, then we could keep our market reasonably well. At the same time we were moving a certain number to the Old Country and this meant added strength to the market.

Q. Another question: When the exporter was walking down the yards and took the surplus of these export cattle, suitable for the export business, did it not stiffen the market for the local cattle?—A. Yes, absolutely; it was an added outlet. To-day we are restricted in that outlet.

Q. Then your difficulty to-day is the lack of export buyers on the various markets?—A. No.



Q. But one who knows where the export cattle could go, instead of incompetent men shipping to markets where the live stock does not suit the market?—A. No, I say no; because if we had an unlimited outlet the buyers would be there, and that would create competition.

*By the Chairman:*

Q. You do not agree that the present-day operator is incompetent, compared with the old-time operator?—A. You could hardly expect me to agree to that.

The CHAIRMAN: That is a case where you and the colonel will more or less have to differ. I do not think we could pursue that argument; there is a difference of opinion.

Mr. MULLINS: No, it was just getting the information to the committee that the trouble is on the market, and the reason for the low prices he is talking about is because this surplus of export cattle is not being taken off the market to stimulate prices, as was the case when the old-time exporters were operating.

The CHAIRMAN: Yes, I think we have that on the record. Thank you, Mr. Ingaldson.

(Witness discharged.)

PERCY E. ROBLIN, called and sworn.

*By Mr. Parry:*

Q. You are here to make representations on behalf of the Saskatchewan Live Stock Producers' Association, Limited?—A. Yes, sir.

Q. And I understand your representations are in printed form for the use of the committee?—A. They are, sir.

Q. Will you file a copy of your brief, and if you have extra copies I would be glad to pass them along to members of the committee.

(Exhibit 73—Brief submitted by the Saskatchewan Co-operative Live Stock Producers' Limited; filed).

Mr. FACTOR: Mr. Chairman, without any desire on our part to get off the discussion, is there any way to shorten this up by having the witness make some pertinent observations about his brief, and then we can ask such questions as we may wish.

The CHAIRMAN: Yes, I think that would be a very excellent idea.

Mr. SENN: Any duplications in the material which he is presenting, matters that have already been covered by the other witnesses to-day and yesterday, might be eliminated.

The CHAIRMAN: Yes.

*By Mr. Parry:*

Q. I believe you gave special consideration to that last evening?—A. Yes, I did consider it, but most of the representations I have to make are along a little different lines. I will endeavour to deal with it in a general way. I do not see how you are going to avoid dealing with certain things without a certain amount of duplication; however, I will endeavour to avoid duplication as much as possible.

*By the Chairman:*

Q. Suppose we let him read it, it will not all be repetition, and you can make a note of any questions you may wish to ask him later. Will you do that? Will you just read it, and if there are any points which you consider are not necessary, just pass them. We will follow you and question you later.

*By the Chairman:*

Q. I think, to begin with, you can just indicate 17,000 farmers—I would not read every word of that?—A. I think Mr. Barr covered the history of the association in his introduction.

Q. Very well?—A. In view of that, there is not much use in reading it.

Q. No, I think that is quite right?—A. I will start in on page 2, then.

*By Mr. Factor:*

Q. That is, with “national policy necessary”?—A. Yes.

In submitting our recommendations to the committee we feel that it is essential to view the whole question from the angle of the general welfare of the Dominion as a whole, and not from any sectional angle. Bearing this in mind we ask the question: What is really needed so far as the live stock industry is concerned? And in answer we venture to suggest that the time is opportune for the formulating of a live stock policy embracing and co-ordinating all sections of the industry including:

- (1) Production
- (2) Transportation
- (3) Assembling and marketing
- (4) Processing and merchandising
- (5) Distribution
- (6) Consumption.

*By the Chairman:*

Q. Might I suggest that this part regarding production does not particularly concern us. We will be interested in getting the information, but I think we should dispense with that, because that is really an agriculture department matter. We are interested in the spread, transportation and prices and so on. If you could turn to transportation, we will take the observations regarding production as read. Will you turn to transportation?—A. Yes, I will be glad to do that, Mr. Chairman, if I may be permitted to make one brief remark in that respect.

Q. Certainly?—A. I hope I will be able to impress upon the minds of the committee the necessity of the development of what might be termed a live stock policy, one of the things which we have not got in Canada to-day. The situation, as I view it in Canada to-day is that we are endeavouring to produce and market live stock as sectional units. For instance, the producer is in a chaotic condition so far as production is concerned. Transportation needs considerable adjustment because of the advent of the truck and improved highways. The processing industry has endeavoured to carry on its field of activity; also the distributor has attempted to carry on his field of activity, without any co-ordination whatever. That is what is embodied in what I am trying to express in the development of a live stock policy.

Q. I notice you cover each of those points in this?—A. Yes. In view of that, of course I think we will have to come to the matter of production in some degree?

Q. Yes, quite so?—A. Then, transportation, I might read that section, although I do not cover the matter of transportation very fully, only just in a suggestive way.

In the handling of live stock two forms of transportation are common, namely the truck and the railway. It is interesting to note that with the advent of the truck and improved highways for distances ranging from 10 to 75 miles, the truck has been a strong influence in directing traffic its way. As an indication of the growth of this form of live stock marketing we refer to the government reports of truck deliveries to public markets during 1932 which ranged from 11.58 per cent to 68.31 per cent on the various markets, or an average of 28.93 per cent.

*By Mr. Senn:*

Q. You just referred to public markets; does that include abattoirs?—A. No; if you will just follow me:

This report does not include deliveries to packing plants by truck, of which there is apparently no record. It therefore follows that for short distance or local haul very keen competition has developed not only between truck and railways but between truck owners themselves. It would appear that in the competition offered a number of adjustments will have to be observed if unfair practices are to be prevented.

I have been rather brief in that, and I think there is a great deal involved in it. I believe the truck has a very important place; I think we should make use of it; I think we will have to make use of it. The producer demands it. It is a very convenient method of transportation for live stock. It comes to the producer's farm, and takes his live stock, saves him the expense of breaking up a six or eight horse outfit, takes his live stock quickly to market, convenient to load and easy to handle. In view of that, I think we are going to be forced into the position of having to acknowledge the truck. In view of the fact that it is a new instrument of transportation, it has rather disrupted, more or less, our whole marketing system. Economic conditions have encouraged that just a little bit, in view of the fact that people in an effort to make an existence, who were able when times were a little better to purchase a truck, since that time have been using those trucks for the transportation of live stock as a matter of livelihood; and have virtually become drovers, in a sense, in the country, in the assembling of live stock. We have a very great number of existing rates in respect to this question.—Mr. Ingaldson pointed that out to you yesterday—a very grave variation in these rates. The reason for that is again the pressure and the need for people trying to find their livelihood, and in consequence they are evading certain regulations and fairness in this transportation.

*By the Chairman:*

Q. Do you think the trucker should be put under control, licensed?—A. Quite so. I think it will have to come to that, because the whole system is being demoralized in view of that. For instance, we have a farmer who desires to be a neighbour to his nearest resident, and justly so; he wants to render a service. He operates his truck under a farm licence, which is probably \$25, whereas a commercial licence is \$80 to \$100 in the province of Saskatchewan—I don't know just what the figures are; but that farmer becomes a competitor with the man in the commercial field. He is going beyond being a neighbour in many instances in taking the neighbour's live stock, for instead of the neighbour selling the live stock as his own product, the product has to go to market under that licence because he has a farm licence. He has to take that product to the public market and sell it as his product, misrepresenting the situation and endangering the security of the man who owns the live stock in this way, that the man receives



remuneration, and according to our stockyard regulations, he must receive remuneration for that stock as his own stock. If he was to get drunk or something, the man might be out of luck about getting his returns. In view of these things, there is a very grave sense of insecurity.

*By Mr. Factor:*

Q. There is no supervision over that?—A. No, there is no supervision over that, up to the present. I think the very principle of trying to issue a commercial licence is an attempt to meet that situation; but as I say, it is a new form of transportation and it has got to be adjusted. That may come under the utilities board or it may come under the commission. We have suggested that a commission should take charge of that supervision and look after it.

*By Mr. Heaps:*

Q. How many months a year do trucks operate?—A. It varies. Some years they operate twelve months, particularly in western Canada. In certain parts of Saskatchewan this year they have operated twelve months in the year due to the lack of snow. They almost invariably operate eight months in the year.

Q. That would be a fair average, eight months in the year?—A. Yes.

Q. How does the farmer get on in the other four months when he wants to deliver?—A. He has to resort to the railways again. The result is that the people of Canada have got to keep up the railways; as a consequence the railways are not paying. I have no brief for the railways, but there is not a fair break there. I have to be concerned about that as a taxpayer of the country and a citizen.

*By Mr. Young:*

Q. Is it a practice for farmers selling any stock for their neighbours in this country to make a business of it, or does it just happen in isolated cases?—A. Yes, under the economic conditions they make a business of it.

Q. They are making a business of it?—A. Yes, because their farm operation—it is a matter of people trying to find an existence; and in view of that, they are evading regulations and all the other things that are possible, and disrupting our whole economic system.

Q. Your objection is that a man taking in cattle for his neighbour is engaging in the trucking business without a trucker's licence?—A. Yes.

*By Mr. Senn:*

Q. It is a violation of provincial regulations?—A. It is a violation, yes; and it is insecurity to the man who sells his live stock. I think you men will understand that the man has to sell that live stock under that licence; he would be subject to a penalty if he made a commercial activity out of trucking. In view of that, he has to sell the live stock as his own product. The man who has furnished the live stock is not getting the security of the returns for that live stock, because the man is not licensed and bonded, while the commission concerns and stockyards have to carry this bond in order to protect the producer.

Q. One neighbour will know another well enough to send his stock with him?—A. Yes, of course; I grant you that there are not very many of these cases that happen, but there is the greatest possibility of that, and I know that the live stock branch is concerned about that very thing.

*By the Chairman:*

Q. Yes, they have it under consideration as a matter of fact, the question of licensing?—A. Yes.

Q. Will you proceed to the next point?—A. That very thing, of course, enters into the matter of marketing which I will deal with now.

Assembling and marketing: In the assembling of the producer's live stock to be delivered to market, we have assumed in our introduction that all live stock should go through the same medium of channel.

Q. You agree with Mr. Ingaldson, do you, that it would be better if it were possible, and as far as possible, that live stock should be marketed through what is known as the public yard?—A. Well, I think that the public markets were established for a purpose as public markets. If you don't put anything through the public market, it can't very well be a public market, as I see the situation; and that is apparently what has happened to-day. It is going direct to the packing plant. Stock is being divorced from the public market and in view of that we have no market, not as a public market. I think the public market is absolutely essential, because we have conditions that make it essential. There are times when men desire to dispose of live stock before they are a finished product. In other words they are a feeder product, feeder hogs or feeder cattle. You must get feeder cattle to market some place. You can't always dispose of them in your locality. In getting them to market you may find it necessary to assemble this cattle into carload lots so it will sell to advantage. In view of that, there is at once the necessity for public markets. Divorce the marketing section from the public markets, only leave that section of the business to them, and they would be so weakened that they could not function. Then you would have to set up some other kind of machinery; and I am not prepared to-day to suggest to you men any other kind of sectional unit there that would take the place of the public market. I think there is a place for the public market. From my practical observation of the situation, and I have farmed for twenty-seven years in Saskatchewan, I do not see how we can get along without the public market.

Q. The public market therefore should be encouraged and supported?—A. And supported, yes.

Q. That is your view?—A. Yes. The principle is there, that it is a public market. There must have been a necessity for it or it would not have been evolved. In view of the necessity, I think it is only fair to-day to give it a fair chance to demonstrate its ability.

*By Mr. Factor:*

Q. Your contention is that selling direct to the packer weakens that?—A. Yes.

Q. Weakens the public market?—A. Yes, it can't do anything else.

*By Mr. Senn:*

Q. Do you know anything of the practice that I asked Mr. Ingaldson about yesterday, of a drover or trucker getting some consideration for taking live stock direct to the abattoir or packing plant?—A. I don't know that I can tell you about the trucker getting consideration, but I can tell you of drovers getting consideration, so far as railways are concerned. For instance, I can tell you—it comes right under the section, as a matter of fact—that there is a general practice of collecting what is termed a clearance charge at both ends of the marketing. We have them in Saskatchewan and we have them in Alberta, drovers operating in very large fields. A man resident in a certain point has virtually an army of men out in the country purchasing for him, congregating and purchasing live stock for him. I don't know that I can give you statutory evidence in this respect, but I am inclined to feel—in fact, I have it from very good authority that the packer is paying a clearance charge of \$10 at the receiving end of it and a clearance charge of \$10 on the selling end.



*By the Chairman:*

Q. Ten dollars for what?—A. It is a direct clearance charge. The drover gets \$10—at least I assume that he gets it.

Q. For how much?—A. For a carload.

Q. For a carload?—A. Yes, for a carload of stock, and it goes direct to the plant.

Q. That is, the drover gets it?—A. Yes, the drover gets \$10, the same man. For instance, we might say a given individual at Edmonton was assembling live stock there, and he gets a clearance charge—what is called a clearance charge—of \$10 for assembling a carload of stock. Then when it is taken direct to the plant he gets another \$10.

*By Mr. Senn:*

Q. It is a bonus?—A. Yes, it is bonus.

Q. To induce stock to go into the abattoirs?—A. The result of that is that if that man is a commission man, if he was to sell that stock—if he had this man in the country getting it together as a commission man, and he was to sell that stock at Edmonton, he would only get \$10 as commission for the selling of that stock. He buys at the stockyard and ships direct to Montreal or some other place down there and he gets \$20 where he would only get \$10. As a consequence he breaks down the Edmonton market.

*By Mr. Factor:*

Q. From the packing plant, does he get both charges?—A. I think that is a fair statement.

*By Mr. Young:*

Q. Is that a secret commission or is it done quite openly?—A. Perhaps I am not altogether safe in making this statement, in a sense, but I believe that this is the practice which has prevailed.

Q. Have you ever run across a definite case of it, a concrete case?—A. It involves a much larger question than this. I will make this statement, in my capacity as president of our organization, that I would like to have you men remember that I cannot afford, as an official of that organization to be a constant investigating body. I think that is a responsibility, and I would like you men to understand that I believe that is a responsibility of the co-operative bodies in the provinces where they are organized. They are the only bodies who are making investigations of the actual practices on the market; and under these economic conditions, of course, we cannot keep men employed for making investigations. In view of that, we have to assume some things. In view of assuming them, I think it is only fair and just to the industry that a thorough investigation be made of the activities of some of these men who are expending their energies in the country. It perhaps is not fair for me to make that statement, but in making that statement, I hope it will be a suggestion to this committee to make a thorough investigation of what has happened in so far as that is concerned.

*By Mr. Ilsley:*

Q. Who is it that you say should investigate?—A. Well, the committee that Mr. Ingaldson has suggested to you in our recommendation. We suggested a committee.



*By the Chairman:*

Q. A conference?—A. Yes, or commission. That would be the responsibility—it may not be the responsibility of the three men that are involved in that, but I think that they should have men placed at their disposal to make a thorough investigation of these activities.

Q. Your statement is that to the best of your knowledge the general practice in marketing there is a practice obtaining of paying a commission at the shipping end for the direction of carloads of stock to packing plants?—A. Yes.

Q. As well as a commission at the receiving end?—A. Yes.

Q. And while this may not be illegal, your point is that it is a practice prejudicial to the general marketing of live stock?—A. Just exactly.

Q. And you ask us, if we can, to look into it?—A. Yes.

The CHAIRMAN: I think we can look into it from the standpoint of auditing. We will take a note of it. I don't think this should be accepted as evidence, but we will take a note of the suggestion and have it investigated.

*By Mr. Ilsley:*

Q. These are buyers for the packers, are they not?—A. I don't know that we are in a position to say they are buyers for the packers, but they do work in conjunction with the packers.

Q. Are they not acting as agents for the packers when they buy the cattle?—A. I might say we have one operator in the province of Saskatchewan who goes direct to one given packing plant all the time, and he has developed a very large business.

Q. Does he represent himself to be anything but a buyer for this packer?—A. No, he represents himself in his own capacity.

Q. Why are packers not entitled to pay him what they like, as much as they want to?—A. The point is this, that it is directing live stock from the public markets rather than to the public markets.

*By Mr. Factor:*

Q. The extra \$10?—A. Yes.

Q. That is an incentive?—A. Yes, it is an incentive for him to go direct to the packing plant and not to the public market; and as a consequence you are breaking down your public markets.

*By Mr. Ilsley:*

Q. When the producer sells his stock to this man, does he not know that he is selling to the packing plant?—A. No.

Q. What does the producer think he is doing with his stock?—A. I don't know that he is concerned; he sells his stock outright to that particular man. As a matter of fact, we have established two market places; we have established a market place at the farm and we have established a market place at the public market. That is breaking down the public market again, because the man at the farm has not any control; if he sells the live stock, he has not any control over the destination of it. The possibility of building up an organization out in the country is making a market place in the country instead of a public market.

*By Mr. Young:*

Q. You object to that, do you?—A. I don't think that is good practice.

Q. You think the farmer should not sell his stuff on the farm; he should ship it?—A. Yes, I think that the farmer is at quite a disadvantage in selling

his stock on the farm. My reason for saying that is that every farmer does not own a radio; every farmer these days is not in touch with the daily press; he is not very closely in touch with market values, and in view of that he is bound to get advantage taken of him. I can give you an illustration.

Q. What would you do with the grain farmer who has only an occasional animal to sell; would you deny him the right to sell to a drover at his gate? —A. Well, I don't know—I don't think it is fair to deny a man the privilege. That would be a restraint of trade, probably. But I think that an organization could be set up that would suggest to that man that it was to his best interest to take his stock to the public market and have it sold, rather than have it sold at his gate at the farmyard.

Q. If he has got only one or two animals, it would not pay him to ship them?—A. Well, I think it is decidedly to his advantage, even if he has only one or two animals. My personal observations are that I would much rather ship my own animal, with the identity maintained, and that is what the co-operative organization is set up for. We mark these animals with a hair clip, as Mr. Ingaldson has told you, that marks an animal as my animal, and I get my return according to the grading, a weigh scale ticket from the co-operative. I get a weigh scale ticket and get all the information associated with it, as a consequence of the producer marketing his live stock on the public market, and not in his own farmyard. I can give you an attested illustration here of what happens in that respect, of where a man makes a mistake in selling his live stock at the farm. Here is a man from Watrous, Saskatchewan; I have an attested statement from Mr. Oakman. I will just read this:

I, Edmund Oakman, farmer, hereby attest that to the best of my knowledge that on January 11, 1934, a drover or stock buyer came to my place and made me an offer of \$95 for nine hogs. He later raised his bid to \$100 and stated he was shipping from Drake on Saturday, January 13. Having had my stock listed with the pool at Watrous I called up the shipper on the phone and he suggested the drover probably was not buying stock for my benefit, so I decided to ship through the pool. I shipped from Watrous on January 22, retaining one heavy one at home. I received for the eight hogs the sum of \$142.40.

Now, there was a rise in the market in that respect; on January 8 and January 12—and this was on January 11 that the drover was there—the market was steady at \$6.75 according to government reports. He sold these hogs as stated in this article on January 22 at \$8 a hundred. The market had risen.

*By Mr. Senn:*

Q. And the hogs were growing?—A. Yes, the hogs were growing. I will deal with that right here. The net value of the eight hogs sold was \$142.40. He retained one hog at home at an estimated weight of 200 pounds, which is a marketable hog, and the price offered by the drover was \$6.75. The value of the hog was \$13.45. The total value of the nine hogs would have been \$155.85. The drover offered him \$100. The gain of eight hogs at two pounds a day would be 16 pounds in 11 days, or 176 pounds, sold at the actual market value as at 8 cents a pound or \$14.08. The advance in the market price on the 1,600 pounds, and the added 176 pounds at \$1.25 a hundred is \$22.20, or a total of \$136.28, or a disadvantage to that producer in selling to the drover on that basis of \$19.57. So I say in view of that, that the producer is the loser almost invariably when he sells his live stock on the farm, unless he is a very prudent man and knows live stock, is a good salesman and knows market conditions; and most of our producers do not.



*By Mr. Young:*

Q. That is very true, Mr. Roblin. Take the case of farmers in a district where they don't raise many cattle, and you could not gather up a co-operative carload in that district. A drover will go there with the truck and pick up a steer here and another one two or three miles away and another one somewhere else and the farmer will be able to get rid of that stock; if they waited for your co-operative, they might have to wait for months. Is that not a considerable convenience to them?—A. No. I think it just reverses itself. As a matter of fact, Mr. Young, I know that you come from Saskatchewan. Unfortunately we evidently are not operating satisfactorily in your locality, because here is the situation—

Q. I have not made any reflection on your organization at all, Mr. Roblin. I am trying to get at the facts?—A. Very good, we won't waste any time in that respect. Here is the situation. I think I pointed out in this memorandum that the activity of the drover is irregular and erratic at all times. I have got a letter here that will tell you that the drover comes when the situation is favourable for him to come. He is not there on the job to purchase and take this live stock. If we were satisfactorily organized in the province of Saskatchewan, there would always be a man in your locality to take the live stock off your hands when it is ready, because live stock is particularly perishable article. When it is ready to go, it should go. There are instances when a man desires to have it go; and the answer to your question is that in districts properly organized, where there is a sufficient volume to take care of it, one man should be responsible for that and take the producer's live stock to the public market. The situation as it is to-day is that when the prices begin to spring, we have a raft of these men coming out in the country to get their live stock, and then when the prices are sagging and a man is a little hard up and wants to get rid of an animal, even if the market is depressed, he has not got the service. So I say that section of the business is very badly organized, the whole thing broken up.

*By Mr. Senn:*

Q. Do I understand you to say that you have no drovers who ship regularly from station yards?—A. Yes, we have in some areas drovers who ship regularly.

Q. The practice in Ontario is that the drovers ship regularly to the market. He is at a station on a certain day at a certain time and the farmer knows he can take his stuff there and the drover will be there to take it?—A. I might say that I was brought up in Ontario and I know the drover system in Ontario; I also know the drover in my particular locality that I came from—he was a witness before you here yesterday. We have at least five drovers—one truck a day going past our farm. I do not think the competition is reflected to the producer; I am satisfied that it is not reflected to the producer.

*By the Chairman:*

Q. I take it that what you are really arguing, or giving evidence on, is that you favour the co-operative system as against the private drover system?—A. Most decidedly. I cannot arrive at any other conclusion, because the co-operative system tries to take the producer's live stock right from his farm to the public market, where we believe it should be sold; and when the bargain is made on the farm, unless the man is a very competent man and understands the business—I can understand how men like Mr. MacLeay, who was here yesterday, and who is a trained man in the live stock industry, knows his cattle, and has a chance to sell in the market, and I think that a man in that position usually does not support the stockyard because he has an outlet for his cattle somewhere else in a direct way.



*By Mr. Factor:*

Q. Does not the farmer sell to the drover and thereby avoid the charges on the stockyard?—A. Not altogether, the reason why the farmer sells his live stock to the drover to-day is because of the very dangerous fluctuations in price levels; namely 50 to 75 cents sometimes in a day, and he is frightened to take a chance that he has to take on a public market in view of that fluctuation.

*By Mr. Senn:*

Q. Is not that likely to happen even if he sends it to a co-operative commission house?—A. What we are hoping to do is that we will be able to avoid these desperate fluctuations; and that is what we would like to see this commission do—steady the market and control these fluctuations. Mr. Ingaldson pointed out to you yesterday that meat commodities are a steady product, people eat them in day in and day out, and they don't have to pay these terrific fluctuations; in view of that I cannot see any reason why if competent men are put on the job world prices can't be evened up a little bit, and not get these dangerous fluctuations in price to frighten the farmer from going to the market.

Q. I fully agree with you that if we could avoid these price fluctuations it would be very materially to the farmer's welfare?—A. That is the problem.

*By the Chairman:*

Q. You are very strong on that point, the stabilization of markets?—A. Yes, I am.

Q. I wonder if we could get along—stockyard charges are your next point?—A. Yes.

Q. Will you just state briefly what your point is, because we have been over this ground very frequently, and you might just emphasize your particular points having in mind the evidence you have heard?—A. There is a great deal of objection to-day to the stockyard charges, there is quite a general objection; as a matter of fact we have a number of our members objecting to stockyard charges. I think largely the reason why these men are objecting to stockyard charges in a general way, is because they have not made a very thorough study of the situation, and do not know just what is involved in handling live stock on the stockyard. As a matter of fact, they are driven to the point of desperation to get a dollar or so—a few dollars out of their live stock, and they feel that the present charges make a grave hole in their returns. On the other hand, it is a matter of price levels, it is a matter of effort to try to bring up prices rather than a matter of trying to chisel off two or three dollars in the shape of little incidental charges. We do not believe the action taken by the Department of Agriculture—and I do not say this in any critical way at all—in adjusting charges will get very far. We feel that the effort is so small that it really does not amount to anything.

Q. Just a minute now, to what are you referring?—A. I am referring principally to the recent reduction in commission charges.

Q. A reduction in yardage charges?—A. Yes. The average marketing charge for a farmer with 20 hogs and 5 cattle only amounts to about \$1.00 or \$1.25 to the producer; and if you could bring the price up a quarter of a cent a pound to the producer, you would give him the benefit of \$20 to \$30 more for his stock.

*By Mr. Factor:*

Q. In other words, the yard charges would really not amount to anything?—A. No.

*By the Chairman:*

Q. Then I take it, from what I read here and from your observations, that you have no real complaints to make against the present stockyard charges?—A. I do not want the impression to go to the public that we are favoring the present charges; I am quite satisfied in my own mind that if all live stock was shipped to the public markets, the charges could be reduced. I also feel that the feed charge is too high; I admit that, and our producers feel that they are too high. We are allowed to-day, under the Live Stock and Live Stock Products Act \$10 per ton on feeds, and \$4.50 for transportation charges. Now that Act is under the direct supervision of the government. There is not a single activity, gentlemen, from the producer's farm up to the public market but what the department of agriculture authorities—the authorities of the live stock branch—have not absolute access to; they know all of the charges that are involved, but everything stops right there.

*By Mr. Factor:*

Q. We had evidence yesterday where an extra profit of \$6.00 per ton on hay was made over the charges allowed by the regulations?—A. It must have been in violation of the act and regulations of the department referred to. I hardly see how it could have happened, because I know in our case we have to turn in our invoices month by month to the live stock branch, under whose supervision this thing comes.

*By Mr. Senn:*

Q. Did I understand you to say that the request that went out from the Department of Agriculture for a reduction in stockyard charges was not warranted?—A. Yes, and again I do not wish to be critical of the department—it is not warranted. The public markets are not deprived of volume—you know that you could reduce the volume, and reduce the charges, and then expect to keep on in any business; could you? And that is what happens with direct shipment, we are actually reducing the volume going to the public market; and when on top of that we reduce the charges there is going to be only one result, and that is the elimination of the stockyard. We have operated a small stockyard in Saskatchewan.

*By the Chairman:*

Q. Where is that?—A. We have one in Regina and one in Saskatoon.

*By Mr. Senn:*

Q. Has your live stock yard acceded to the request of the Department of Agriculture?—A. We have. We did not accede to them till after we had made out a clear case that we felt it was striking at the wrong place, which I think they thoroughly understand.

Q. Is your stockyard on a paying basis or not?—A. We are on a slightly paying basis, yes; and we are ready to submit our figures in that respect, as a matter of fact they are already open to the Department of Agriculture.

*By Mr. Ilsley:*

Q. You have competition in Saskatchewan?—A. Yes, we have a very small yard in Saskatoon—but as a matter of fact I do not know that particular reference is needed in respect to our internal troubles there—we have some troubles of our own.

*By Mr. Senn:*

Q. That is in connection with the abattoir in Saskatoon?—A. It has no connection with the abattoir.



Q. Is it your own?—A. The abattoir is within the organization, but it is separate and distinct from our organization—we just operate the stockyards, the abattoir is operated on its own.

*By the Chairman:*

Q. Now we will get to the next point, export marketing?—A. Well, with regard to export marketing: we feel that that is a thing for a responsible commission to develop to the fullest extent; there are a great many things involved in export marketing for products both live and dressed. We are very strongly in favour of the principle of rail grading so far as export products are concerned. I will just read the section relating to that:

A very important phase of marketing is the taking care of our exportable surplus. While Canada is largely on a domestic consuming basis it is recognized that a small exportable surplus has a very detrimental effect on our domestic prices. The proper control and guidance of this surplus is vitally important as applies to both live and slaughtered products. Since export markets, particularly the British, require both quality and quantity it necessarily involves four elements, namely, production, transportation, processing and Government direction. In view of this the most complete co-ordination should exist between these departments if the export section of the industry is to thrive. A study should be made of the export markets, their potential requirements, our ability to fulfil these requirements as to quality and quantity, the supervision of standards of quality and grading, direction as to trade regulations, transportation, insurance and overcoming obstacles and barriers in trade operation.

*Mr. Senn, (Acting Chairman):*

This is quite a broad field, and I am of the opinion can only be satisfactorily worked out by some kind of a commission which will give it very special study, which will study outside markets; and I think in any control that we have we will have to develop all potential markets that it is possible to develop. When we have exhausted these markets it is then time to try to regulate production, and I haven't the slightest doubt about what production can be properly regulated with a little bit of horse-sense used in the development of regulations.

*By Mr. Parry:*

Q. Within the organization itself?—A. Yes, through the co-operative organizations, and with the co-operators working with their producers in competition with the export demand, that will bring better marketing.

*By Mr. Kennedy (Peace River):*

Q. You mentioned among the different points you made, I think, that the real question is getting rid of this exportable surplus and the effect it has upon the price in Canada—you want to stabilize prices?—A. Yes.

Q. Do you think it is possible to do that in Canada without getting control of the abattoirs and the packers?—A. It is quite possible, if the packers will work with us in the development of a co-ordinating policy, and lay their cards on the table and play the game—if they do that I do not think there would be any need for the socialization of the industry. I am trying to avoid that for the time being.

Q. Do you mean the packing industry?—A. Yes. I do not think there is any need for it, because the situation is this; with the present tendency to merge we have got to the place that I am afraid of; I think we could develop a little



more competitive market than we have if we have all live stock coming through the public market. We are offering this suggestion to the packer, to play the game, to go all the way with us in the co-ordinating of our efforts; if efforts fail to do that then I think it is up to the government to take charge.

*By Mr. Factor:*

Q. What do you mean by that—co-ordinating and references of that kind?—A. To explain that, I think that is the producers' problem; we have got to have this advisory council or commission, to develop the potential market and find out what the capacity of that potential market is; along with that is the statistics of our domestic markets, we have our live stock budget and when we have exceeded the capacity of that then I say that if the packer will stay exclusively on the market, and not go out in the country and build up his organization through the drover and the commission man, and leave the producer to take his stuff to the public market and bring it there on a regulated basis which can be agreed on, that the commission through the packer trying to bring his supplies regularly as he requires them and in the quantities that he requires—

Q. I know, but you just made the statement prior to that that considering the mergers in the packing industry, competition would not exist even in the stockyards?—A. Well, in view of that I think it would be the duty of the commission to determine the price differentials between the live animal and the finished product, giving due regard to a remuneration for the packer which would be fair for his capital investment and the services rendered.

*By the Acting Chairman:*

Q. In other words, you are advocating a policy whereby this commission would have absolute authority to control prices?—A. Well, I do not know whether you have to go so far as that, so far as to fix prices; to some degree they could control prices, I think that would happen—I think we need to have a thorough understanding of the situation as to the possibilities of our markets, then the next step is to try and control price levels by production, which I think can be done by reasonable conferences with the producers. I am satisfied that the producers will try, within limits, to do the right thing.

Q. Then you say they should have power to regulate production?—A. I do not think it is necessary to exercise that power, I think it is a matter of coordinating; I think it is a matter of working with the people. What is happening to-day is that we have the Department of Agriculture, the extension departments of the universities and the packers' council all working together trying to encourage the development and breeding—right at the moment in hogs, and no control. Now the governing factor there is that we have got a high price for hogs to-day, but I am afraid that that price is going to break because of the increase in production—we will be loading up with so much pork that we are going to get another terrible reaction; and I think the right kind of a body could regulate that.

*By Mr. Parry:*

Q. You would like to see certain coordination applied between producers and distributors. I observe in the brief that there are many cooperative marketing organizations dealing in live stock?—A. Yes.

Q. And they function together do they?—A. Yes, they do function together—not in a very well organized way—perhaps I am wrong there, we function together; for instance Mr. Ingaldson and myself, by submitting a joint report here covering the Manitoba Cooperative Live Stock Producers and the Saskatchewan Live Stock Producers. In 1931—between 1929 and 1931 we were organized across the Dominion, and the reason for the disruption in that

organization is losses we suffered because of the break in exchange in export cattle. We were at that time coordinating, the Alberta Live Stock Producers' Association with the Saskatchewan Live Stock Producers' Association, the Manitoba Live Stock Producers' Association, The United Farmers of Ontario, the Quebec Cooperative Federee and the Maritime Marketing Board.

Q. That is the number of the provinces, but I am referring to the provincial marketing associations?—A. There is only one provincial marketing association in Saskatchewan that is marketing for all producers, I grant you that. There is a gentleman here now in the room to-day who is marketing some live stock for the ranches, but that is not the general practice of marketing for all producers in the province. Last year we marketed nearly two million head of live stock for the producer in Saskatchewan. I think that we can be recognized as the only producer organization in the province.

Q. I notice in the statement here that you apparently have five separate marketing organizations; Killarney, Ridgeville, Rock Lake, etc.?—A. Mr. Ingaldson could give you information—it is quite true, under the Cooperative Markets Act charters were given to small local areas which might delay the operating in the locality they represent. The Manitoba Cooperative Live Stock Producers represent the whole province.

*By the Acting Chairman:*

Q. Shipments that are made by the producers concerned go direct to the cooperative organizations' commission house?—A. I could not say, Mr. Ingaldson can give you that information.

Q. What is the practice in your province?—A. In our province—to my knowledge there is only one or two small local organizations there; I think one is at Lloydminster, and the other at Young, Sask. They were operated as a local organization and they were prior to the institution of our association.

Mr. PARRY: Perhaps Mr. Ingaldson could answer that point now.

Mr. INGALDSON: These associations that you refer to, they all belong to the provincial organization. Each local shipping association is organized under a charter, and they all belong to the provincial body.

The ACTING CHAIRMAN: They all send their live stock to you?

The WITNESS: Yes.

*By Mr. Parry:*

Q. What I am trying to drive at is this: you have stated to the committee the proposition that your producer associations should be supported by the government; now, has the stage been arrived at in your opinion when you have sufficient control over the component units to be able effectively to lay down certain regulations and then go to the government and ask them to support them?—A. Just let me have that again, I don't know whether I just got you quite clear.

Q. What I am trying to put to you is this: Is there sufficient cohesion in these organizations within the producers' associations, to say to this committee, the first part of this thesis has been accomplished; what we want is teeth put in our enforcement of our regulation?—A. Yes, I think that is the case; we have 100 operating locals in the Province of Saskatchewan to-day. While we don't cover all the province, there is probably only half the province, we have only been in the effort of organization for seven years, and our organization capacity has been limited it takes money to organize these locals and get in touch with these people, but we cover 100 operating locals in the province of Saskatchewan to-day.



*By the Acting Chairman:*

Q. Now, gentlemen, we have only a few minutes left; will you proceed, Mr. Roblin?—A. I think probably I have covered about all.

*By Mr. Factor:*

Q. I think probably you have covered it pretty well on page 6?—A. I think that summarizes it pretty well:—

Finally we would suggest that the adoption of a policy along the lines above indicated would result in benefit to all parties concerned—to the *producer*, economic freedom, removal of insecurity; to the *consumer*, high quality, steady supply, reasonable prices through elimination of waste incident to violent price fluctuations; to the *packer* and all *intermediate services*, steady employment, continuous supply, capacity to pay reasonable remuneration; to the *retailer*, guarantee of steady supply of satisfactory products, thus enabling the retention of his customers; to the *export trade*, extension of our markets and the holding of our markets once they are acquired.

*By Mr. Young:*

Q. How many real buyers have you in Saskatchewan; I do not mean individuals, but the big buyers—the real competitive buyers?—A. Well, do you mean on the stockyards or in the country.

Q. I am speaking of people like Swifts, or Burns—how many such buyers are there?—A. Burns, Swifts and Canada Packers.

Q. There are three?—A. Yes, They are all there are.

Q. Do you think they ever get together and arrange prices?—A. Well, I am rather inclined—there is a possibility. As a matter of fact I want to say that I have information here that indicates that from a certain market in Saskatchewan certain deliveries were presented from a certain local territory on that market, and were reshipped from that market to an outside market, and several carloads were brought in from Alberta to take the place of the local deliveries.

Q. Assuming that to be the case, that the packers are so organized that they can determine prices on the various markets, what recommendations have you to apply to that situation?—A. The only recommendation I have got is to resort again to the commission in that respect, as I have already said; the price situation is the question in my mind. In view of that I think there is only one thing to do, analyze the situation, find out what the difficulty is—and I think that this responsible commission could carry that out.

*By the Acting Chairman:*

Q. Don't you think you are giving this commission a large contract to fill?—A. Yes, it is a very very large contract, but it has got to be handled some way or another.

Q. There is one question I would like to ask: on page 1 you mention the fact that in the member's contract provision is made for deducting a small percentage from the proceeds of his live stock; have you ever had any one question the legality of that proceeding?—A. Never. We have collected from the producers in the province of Saskatchewan under their contract—they have agreed and have contributed in the past seven years approximately \$170,000.

Q. Have you ever looked into the legality of it; could you enforce that by law if you needed to?—A. I do not think there is any question. I think you have a legal authority here who could probably go into the contract situation. We are operating under a special act of the Province of Saskatchewan



legislature. Our contract has stood up for seven years under a number of tests of violations of that contract, which amply demonstrate the fact that the contract is valid and satisfactory; because we have had some producers who failed to live up to their contract and we have had to take a few cases to court, but very few.

*By Mr. Kennedy (Winnipeg):*

Q. I suppose the matter is determined by the terms of the membership, the terms on which they entered?—A. It is an agreement on the part of the producer to solve his own problem.

Q. The deduction is made pursuant to the terms on which they are admitted into membership in to your association?—A. No, sir, deductions are made on the basis of marketings.

Q. I mean, when they become members, they agree to the deduction?—A. Yes.

Q. I do not see how there should be any difficulty with such an arrangement?—A. I do not think there is the slightest difficulty in that respect. It is an agreement between the producer and the organization itself.

The ACTING CHAIRMAN: Thank you, Mr. Roblin, very much. (The witness was discharged.) We will meet again at 3.30.

The Committee adjourned at one o'clock, to meet again at 3.30 p.m. this day.

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The committee resumed at 3.30 p.m.

The CHAIRMAN: Order, gentlemen. This afternoon we have Mr. Byers from Saskatchewan, or Alberta.

Mr. BYERS: Both places.

JACK BYERS, called and sworn.

*By Mr. Parry:*

Q. Mr. Byers, you are secretary of the Western Stock Growers' Association, with head offices at Calgary in the province of Alberta?—A. Yes.

Q. And I understand that in addition to your secretarial experience you bring a wealth of personal experience in connection with ranching and marketing of live stock?—A. Yes.

Q. You are here with a memorandum to present on behalf of your association?—A. Yes.

Q. Will you just proceed?—A. I might say that I also have been connected with the Federation of Saskatchewan Stock Growers and British Columbia Beef Growers. For the benefit of the committee I would like to say, Mr. Chairman, that it is perhaps rather unfortunate that so many representatives of producers come to a committee of this kind without any really co-ordinated idea of what they want themselves. I may perhaps be in the same position. I will have some of my own remarks to make further on.

*By the Chairman:*

Q. As I understand it, the statements you make are founded upon your own knowledge?—A. Yes. If it would not be asking too much, I think I would rather like to read these remarks first, and the committee could ask me any questions they would like to ask afterwards. I think it would facilitate matters so far as time is concerned. One of the gentlemen said yesterday that we were having a rehash of what we had before. It is unfortunate for a man who comes third or fourth who has to re-hash these things, because there are certain statements everybody makes, even outside of some of his own unusual ones.

Q. I understand that you prefer, as far as is possible, to make your statement without interruption and have questions afterwards?—A. Yes, I would

Q. Well, we can't promise that, but we will ask the committee to try and respect your wish. Will you proceed?—A. Yes. The beef cattle producers of western Canada appreciate this opportunity of placing before your committee their views concerning the problem involved in the re-establishment of the cattle industry. Before I go further, I might just say in this case that I represent the cattlemen; some of you probably don't know it, so I might say that our range men of western Canada were in the cow business before the country became a grain growing, hog growing and chicken country. Some of the problems mentioned now were not found at that time. In appearing before you as a representative of these western producers it is my purpose to deal with a number of phases of the industry, and to endeavour to interpret to you the cattlemen's viewpoint concerning their difficulties and the solutions of same.

Following the mass of data already placed before you it is unnecessary for me to make more than passing reference to the important place the beef cattle industry plays in Canadian agriculture. Here is an industry which last year contributed \$27,500,000 to the Dominion's agricultural revenue. This is the sum paid producers for cattle and calves sold on stockyards and to packers during 1932. It does not include the value of export cattle, or country killed. If the value of this \$27,500,000 in providing employment to those engaged in stockyard and railway capacities, packing houses, and wholesale and retail distributing organizations, could be estimated, it would be multiplied many times over.

The year 1933 was the most disastrous cattlemen of this country have ever experienced. To remind you of the evil days into which this once prosperous industry has fallen, the following figures showing the net value of cattle and calves sold in Canada over a period of years will be of assistance:

#### VALUE OF DOMESTIC MARKETINGS

Year	Cattle	Calves
1928	\$81,000,000	\$7,900,000
1929	75,300,000	8,900,000
1930	47,700,000	5,600,000
1931	33,300,000	3,700,000
1932	24,700,000	2,700,000

*By Mr. Parry:*

Q. For the purpose of the committee,—just paraphrasing that,—between the years 1928 and 1932, you show a volume of \$81,000,000 in 1928 and in 1932, a volume of \$24,700,000?—A. Yes, and in calves, \$7,900,000 and \$2,700,000. I might say that the records for 1933 were incomplete, and that is the reason 1933 is not shown here.

*By Mr. Young:*

Q. It is all due to the decline in price, not to decline in numbers?—A. I will come to numbers later. The tables for these five years were as follows:

*By the Chairman:*

Q. Marketing?—A. The marketings in these five years were as follows:

Year	Cattle	Calves
1928	964,866	418,603
1929	921,125	456,707
1930	676,076	353,063
1931	699,496	338,509
1932	619,300	335,213

*By Mr. Parry:*

Q. If I might, for the benefit of the committee, interject, this demonstrates that the value dropped from 81 to 24, referring to millions of dollars, whereas the volume or number of cattle dropped from 96 to 61.

The CHAIRMAN: 964,000 to 619,000.

The WITNESS: You will see that the value dropped considerably more than the number.

*By Mr. Factor:*

Q. That represents the total product?—A. Those are cattle marketed through stockyards and packing plants.

*By the Chairman:*

Q. The total?—A. That is the total sum paid the producers for cattle.

Your inquiry is largely directed toward a study of conditions in Canada's export cattle trade and I am sure from the information you already have you will agree with me that instability has always featured the foreign marketing of Canadian cattle. This unhappy condition, may I add, has never been more marked than during the past six months.

Since the year 1910 total live cattle exportations have swung violently between a peak of 515,000 head valued at over \$46,000,000 and a low point of 25,000 head valued at \$1,400,000. I might say that in this period of 1903 to 1913 we averaged an export of something like 165,000 cattle in this country, mostly to Great Britain; the next period something like a quarter of a million each year to the United States; the peak of the exports in this country was 1930 when we exported practically three-quarters of a million cattle dead or alive, from Canada.

*By Mr. Factor:*

Q. You said the instability was more marked during the last six months? —A. Instability, I said.

*By the Chairman:*

Q. Will you proceed?—A. Yes. Playing as it does, a part in the establishment of domestic prices, it is obvious this unsettled condition during the last twenty-three years has been, in itself, a serious handicap to those engaged in beef cattle production.

A number of causes lie behind these extreme variations in export figures. As far back as 1883 the United States placed restrictions on the shipment of our cattle, the effect of which was felt for six consecutive years.

In five of the years since 1914 exports to Great Britain have been nil, and in three additional years in this period, shipments to Britain have been less than 500 head annually.

More recently we have witnessed the disastrous effect of the United States Hawley-Smoot tariff of 1930. In a fifty-year period the United States has made nine changes in its tariffs against our cattle, each a drastic one. These, in brief, are as follows:

1883, 20 per cent on all cattle.

1890, Cattle over one year \$10 each, under one year \$2 each.

1897 (Dingley tariff) cattle under one year \$2 each. Others if valued under \$14, \$3.75 each. If valued over \$14, 27½ per cent.

1909 (Payne Aldrich) Same as Dingley tariff of 1897.

1913 (Underwood) All cattle free.

1921 Tariff of 30 per cent on all cattle.



- 1922 (Fordney McCumber) Cattle over 1,050 pounds, 2 cents per pound.  
Under 1,050, 1½ cents per pound.  
1930 (Hawley-Smoot) Cattle less than 700 pounds, 2½ cents per pound.  
Over 700 pounds, 3 cents per pound.

Throughout this period of instability in exporting, the general trend of beef cattle production in Canada has been upward, particularly in the west. As far back as 1893 ranchers in the western territory commenced augmenting their herds and this development continued until well into the first decade of the present century at which time the rapid invasion of homesteaders and the extension of homestead areas arrested the progress of the cattle ranching industry.

The peak of settlement in the west was co-incident with a tremendous increase in the human population of the Dominion with which the production of cattle did not keep pace. The federal census of 1901 reported a beef cattle population of 3,167,774 head. The 1911 census figures were 3,930,828 head, an increase of approximately 24 per cent. In this ten-year period Canada's human population increased by approximately 34 per cent.

Due in part to the impetus given all agricultural production during the years of the great war, and also to the establishment of cattle herds on large numbers of the grain farms, in the west, beef cattle figures mounted rapidly. The 1921 census returns showed there were 5,870,804 beef cattle in Canada.

From the figures presented a moment ago in connection with the value of domestic marketings in the five-year period 1928-1932 you noted the volume of marketings was falling. There were 345,566 less cattle marketed in 1932 than in 1928. The decline in calf marketings was 83,390. This has resulted in a tremendous pile-up of cattle on farms and ranches and recent figures indicate this is being continued. For example, as at December 1, 1933, there were estimated to be 103,700 more beef cows than on the corresponding date of 1932, an increase of 15 per cent. The number of steers two years old and over in the Dominion on December 1, 1933, has been estimated at 54,000 head more than the total for 1932.

Unfortunately, during this long period of expansion in beef production no effort has been placed behind the sale of beef in order that the increase might be absorbed. In certain years exports to both the United States and Great Britain easily took care of the surplus over domestic requirements, but since the total elimination of Canadian cattle from United States markets and a substantial reduction in the numbers moved annually to Great Britain, the cattle producers of the west have felt some impetus should be given domestic consumption.

It has been estimated that an increase of only 25 pounds in the per capita consumption of beef in Canada would wipe out the existing annual surplus and place the industry on a sound basis. Unfortunately the cattlemen are unable to follow the example of the orange growers of California who, a few years ago, invested the sum of \$750,000 in an advertising campaign and not only wiped out a huge surplus but actually created a shortage of their commodity.

The beef producers of the west are financially incapable of instituting a campaign aiming at the popularizing of their product among consumers.

That the public are receptive to suggestions of this kind is shown in the results of the beef grading policy, which as you are aware, was inaugurated by the federal government in 1928. This policy established two grades, red label and blue label, and provided grading services in abattoirs.

In spite of the puny effort placed behind the publicization of this policy, increases in graded beef consumption were spectacular. Here are the figures:

Year	Red label	Blue label	Total lbs.
1931.. . . .	6,346,558	10,894,190	17,240,748
1932.. . . .	7,534,881	14,213,887	21,748,768
1933.. . . .	9,885,635	20,796,974	30,682,609

The cattlemen's criticism of this policy is that no adequate effort has been made to explain it to the buying public (with the result that in every city in Canada certain butchers, exhibiting the health of animals branch stamp of approval and indicating it as the blue brand have fraudulently capitalized on the policy) and that no adequate return has been made to the producer of branded beef. I might say that beef killed and medically inspected in a medically inspected abattoir have a blue stamp on them, that is approving the health of the cow. The average housewife will point to this, and she does not know any different. The prices paid for cattle qualified for the red and blue label when hung on the rail and those not suitable for grading, choice though they may be, are one and the same. No premium is paid for quality, that is, has never been returned to the primary producer as a premium.

*By Mr. Factor:*

Q. Who gets the advantage of that, the packing houses?—A. I would imagine so, and the retailer.

Q. And the retailer?—A. Yes. Sufficient for the past of the cattle industry. Permit me now to sketch briefly the situation as it has existed during the past six months.

As you are aware, ruinous prices, the lowest on record in the Canadian industry, existed during the latter part of last year. In October prime butcher steers sold at Winnipeg for \$2.88 per hundred pounds. Values quoted at other centres were on similar levels. A condition of absolute stalemate existed for several weeks and even at the ridiculously low figures at which cattle were quoted it was hard to move them.

It must not be assumed because specific reference to the prices prevailing in October of last year has been mentioned that cattle producers were suddenly confronted with this spectre of ruinous values. As a matter of fact they had been watching the value of their product continuously dwindle for five years. The following figures show the monthly weighted average prices per hundred pounds of the total sales on all Canadian stockyards for the years 1928 to 1932 inclusive:

#### MONTHLY WEIGHTED AVERAGE PRICES

Year	Cattle	Calves
1928.. . . .	\$ 7 55	\$ 9 30
1929.. . . .	7 35	9 65
1930.. . . .	6 35	7 90
1931.. . . .	4 30	5 40
1932.. . . .	3 60	4 00

Returning to the situation as it existed last fall it is important to note that had it not been possible, in this critical period, to move several thousand head of beef cattle to Great Britain, the prices paid producers would undoubtedly have been even lower than they were.

It is equally true that the market upturn recorded since December 1, 1933, has as one of its main contributing factors a healthy demand for choice finished



cattle from overseas. Prices paid by overseas buyers have, in a large number of instances, established the ruling values at Western points for certain classes of Canada.

May I again divert for a moment to impress upon you the important fact that even to-day, with an improvement over last October, selling prices are still below the cost of production.

The day I left Calgary to appear before you the tops of the choice finished steers were quoted in that city at \$4.75. The cost of producing a pound of beef under ranch conditions in Alberta is very close to six cents. Our cattlemen are still selling their product at a terrible loss.

I would just like to quote one instance of this. Mr. MacLeay, who gave his evidence the other day, had something like 150 steers which he tried to sell to one of the buyers in the Calgary district. He would have had to take \$1.75 for these steers, if he could have got it, but he couldn't get the \$1.75, and I bought these steers for the Old Country outlet to be fed and finished and to be moved in February or March, guaranteeing him a price of \$4.50. I was just about as popular as the skunk at a garden party with all the packers for raising the February price to four cents, which is actually what it amounted to, because that is what they had to pay. That was for the cattle that at the time I took them they would not pay \$1.75 for.

Q. They would not buy them themselves, and they resented your buying them?—A. They certainly did.

I have mentioned the value of the British market to the industry in the crisis of last year. The ranchers of Western Canada have played no small part in the establishing of Canadian cattle on that market. During 1931, members of the Western Stock Growers' Association, the organization I am representing before you to-day, contributed one quarter of the total Canadian exports of 28,000 head. During 1933 we were responsible for shipping 4,000 head, and of these all save 300 head were direct from ranches. In addition to our own shipments other shipping organizations included ranch animals in their consignments. It should also be noted that an appreciable number of the export cattle moved from Ontario to Britain originated on Western ranches, being sold to Ontario operators as feeders. The interest of the Western ranchers in the export market is therefore a vital one.

Our Western ranchers note with dismay that there is still an entire lack of security in the export situation. They are locked out from the United States market, and as has been indicated, have been concentrating on shipments to Britain. In a general way they have improved the quality of the animals sent overseas. They have endeavoured to do their part in establishing a continuity of supply and in a number of cases have suffered financial losses through this desire to keep cattle moving steadily. And yet it appears their efforts are again to meet checkmate.

In September of 1931 because Great Britain went off the gold standard we had a loss of \$16,000 worth of space, we didn't have allotted to anybody because we use it as the space is required; and I want to say for these ranchers that they certainly played the game and every one of them took a very heavy loss—one of them took a loss of \$4,000 in making a shipment.

*By Mr. Young:*

Q. How could they lose \$4,000?—A. Through exchange.

Q. Through exchange alone?—A. Yes.

You will recall that the only concession granted beef producers at the time the Imperial Conference agreements were signed was the free entry of Canadian cattle into British ports. In this they were given a basis of equality with cattle from the Irish Free State.



In the month of December last, exporters all over Canada were startled by a press statement to the effect that Ottawa had agreed with Britain to restrict exports in the first three months of the present year to a figure equalling that of 1933. This figure was 7,863.

Movement of cattle overseas this year to date has been brisk. In the month of January, 4,469 head were shipped and in the month of February, 3,438 head, a total of 7,907. Had the original quota arrangement been maintained Canadian producers would have been without an export outlet from the end of February until a new quota was established for the second three month period commencing April 1. It is always difficult to forecast market trends but many of those close to the situation predicted a drop of a full cent in cattle prices all over Canada if the export outlet became closed. It is the opinion of the officers of our Association that this situation would have occurred if the export door had been shut.

Fortunately for the industry Ottawa re-explored the situation with the British Ministry of Agriculture following representations made by our Association with the result that last month it was agreed exports to a total of 20,200 head would be allowed into Britain in the first six months of the year. This figure approximates that of the number entering Britain in the same period of 1933.

The British Minister of Agriculture has announced the entire question of cattle imports will be reviewed when the Imperial Conference Agreement is reconsidered in June this year, and he has promised adequate protection to the British farmer. The situation after the present quota is filled is one of dark mystery so far as the Canadian exporter is concerned.

The danger of an immediate drop in domestic ruling prices, following the filling of the quota, exists today as it did during the period the three month figure was being so rapidly filled. Up to March 8, 8,947 head of the 20,200 to be allowed into Britain in the first six months of this year had been shipped, and several hundred head have left Western Canada since that date. There is every likelihood that the present quota will be exceeded long before June 30.

At the Ottawa sessions of the Imperial Conference Canada secured a market for 280,000,000 pounds of pork and bacon annually for a five year period. There is no suggestion that this figure is to be reconsidered in June 1934 or that a quota basis will be established for these products. With this in mind you will agree the beef producers cannot be blamed if they feel the Imperial Conference Agreements did not give them the same consideration as the pork industry.

If the cattle industry of this country is to be saved from utter chaos it is imperative that the British outlet remain available for our cattlemen. The abandonment by Britain of the quota against Canadian cattle, in the opinion of the members of the Western Stock Growers' Association is the most important task our government can devote itself to in the interest of the live stock industry. Other steps for the rehabilitation of the industry can be taken, and these, with your permission, I shall indicate in a few minutes, but their results must necessarily be deferred. The maintaining of the British outlet will bring an immediate benefit. That the British authorities are open to conviction on this subject is seen in their willingness to establish a quota figure for the first six months of this year, on a basis of parity with 1933, before the first three month quota period was ended, following representations to Ottawa by our organization.

In the light of the total imports of cattle and beef into Britain the Canadian cattlemen's request for unrestricted entry of live cattle is not unreasonable. In 1933 you will recall we landed in Britain 51,433 head. From the Irish Free State, a country that is not receptive to the policy of Empire unity, Britain drew 582,000 head. In addition to these shipments Britain received, largely from foreign countries, over 11,000,000 hundredweights of frozen beef and over 900,000 hundredweights of tinned beef. Surely Canada's modest contribution can be maintained without difficulty.

Canada's total importations to Great Britain represent about 1/474th part of the total importations of last year; which is about 2 per cent of the total taken on an Empire basis.

Uncertainty regarding permissible shipments has a demoralizing effect on ocean transport. The fitting of vessels for carrying cattle has been accomplished only through strenuous efforts on the part of shippers through the Department of Trade and Commerce. Last year the Honourable Minister at the head of this department gave some assistance to nine vessels in order that they might be available for the export cattle trade. The agreement covering this assistance specified rates of \$12 per head for heavy cattle and \$10 for cattle weighing under 1,000 lbs at time of loading on ships. Other vessels not receiving assistance lowered their existing rates to meet this figure and maintained them on this basis until September 1, at which time they established a rate of three pounds with the 10 per cent reduction for light cattle. The nine assisted vessels raised their rates to meet this higher figure when their agreements with the Department expired on December 31. All shippers through Saint John and Halifax are now paying this basic rate of three pounds.

It may be noted in passing from this phase of the export question that ocean transport has become exceedingly costly compared with the days when Canada made substantial contributions to the British market. The rate on cattle in the late 90's and early 1900's was between \$7 and \$8 per head for animals that would outweigh those to-day being shipped by from three to four hundred pounds. In the old days the exporter paid a railway rate of 90 cents per 100 pounds on his cattle from Calgary to Montreal. To-day he pays \$1.14½.

Exporting cattle is a costly enterprise. Of the 4,000 head handled through our Association last year, the majority had transportation, handling and selling costs in the neighborhood of 50 per cent of the gross returns, assessed against them. In some instances, these in the case of slightly inferior cattle or those failing for other reasons to meet a favorable reception on landing, the total costs were considerably more than 50 per cent of the gross.

These shipments were made through the port of Montreal. During the winter months the exporter has a heavier bill of expense due to an additional 6½ cent freight rate to the Atlantic ports and one extra day of transit feeding to Saint John and two days extra feeding to Halifax. These two items combine to raise the cost to the shipper by approximately \$3 per head.

The injustice of prevailing freight rates on cattle is one that adversely affects both the domestic and the export shipper. Representations have been made to Ottawa by our organization, from time to time, concerning this matter, usually with a standard response that in times of declining freight revenues reductions in existing rates cannot be considered. A moment ago I mentioned the old-time rate of 90 cents per hundred pounds on cattle from Calgary to Montreal. Which is the more profit to the railways, the movement of around 120,000 head annually, the volume moved in the late 90's and early in this century at 90 cents per hundred, or 50,000, the total moved last year?

*By Mr. Parry:*

Q. 50,000 was the total moved last year?—A. Yes. I say, that in the old days it was no trouble to get the railroad to give us a special train to move say 14 cars from Maple Creek to the seaboard. To-day they won't think of taking a train of anything less than 60 cars. You don't have to have 60 cars of stock, if you haven't got enough live freight you can sometimes look around and pick up enough dead freight to make up the trainload.

Last year we had an open British market, there was no restriction on exports except that of heavy costs, and this rate of \$1.14½ was one of the main grievances of shippers.



An export freight rate on cattle moving from interior points to seaboard is urgently needed, fully justified and amply supported by precedents.

Allow me to give you some of these precedents.

Three distinct rates prevail on grain from Calgary to Vancouver. Grain for domestic use carries a rate of  $40\frac{1}{2}$  cents per 100 pounds. Grain for feed purposes carries a 30 cent rate and export grain takes a 20 cent levy. It costs the railway not one cent more or less to carry grain intended for export than it does to carry the domestic or feed commodities and it is reasonable to assume that on the lowest of these three rates, the export rate of 20 cents per 100 pounds, they are making a satisfactory return.

Here is another example closer to the live cattle industry. Fresh meats for domestic consumption moving from Calgary to Montreal are assessed on a basis of \$1.88 per 100 pounds. For export this commodity carries a rate of \$1.64. On cured meats moving from the western city to the Quebec port for domestic use the tariff specifies a rate of \$1.60; the export product carries a levy of \$1.23.

A comparison between the equipment of to-day used for the movement of grain and of meat products and that of a few years ago is such that the railways may well be proud of their progress. The latest of the steel refrigeration and grain cars operated by both roads are the last word in railway rolling stock. What equipment offered the shipper of cattle compares with the most recent of that available to the grain or meat shipper? There is no comparison. The cattlemen are still using the antiquated stock cars that did service when the west was first opened for settlement.

One may well seek the reasons for the establishing of more favourable transportation rates and the construction of modern equipment for the service of the grain and meat processing traffic. Nor is the reason hard to find. Both of these industries are intensively organized and have been in positions to make adequate representations for these changes. The cattlemen, heretofore, have not consolidated their opinions and reached the ear of a body having authority to give them the justice their case warrants.

I might say that I have been arguing freight rates for many years, and this is the first time in my life that I ever knew that fresh meat processed by the packing houses had domestic and export rates for freight.

*By Mr. Factor:*

Q. Have you ever presented the fact to the Board of Railway Commissioners who fix these rates?—A. I do not think it would be of any use.

Q. Why?—A. Because they just tell you it is no use coming to them for a reduction in railroad rates at the present time when conditions are so bad; It's no use trying to get something for the shipper these last few years when conditions have been so bad, you can't get anything at all.

Q. Did you make any application?—A. Several applications have been made at different times to have these rates reduced.

Q. And they were rejected?—A. Yes.

Q. Why did you not appeal to the privy council?—A. That takes a lot of money.

Q. I mean the governor in council?—A. I am appealing to the government now.

Q. You never carried an appeal from the board of railway commissioners to the governor in council?—A. No.

I tried to find out the difference in the cost of handling these cars, the cost of hauling them to the coast and back again—of course you know most of them have to come back empty. One of the troubles is the tremendous weight in these new steel cars, in the refrigerator car, for instance, about



one-tenth of the capacity is taken up by the facilities that are provided there; the old stock car was quite a different thing. They have to be hauled back empty and as they are heavier cars, there is a greater cost for hauling.

*By Mr. Young:*

Q. Have any new stock cars been devised?—A. Not for general cattle, no; we have had some improvements recommended in the form of gates which are put in mixed cars to keep the different classes of live stock apart.

In the face of the export rates granted on grain and fresh and cured meats, the justice of the cattlemen's demand for a rate considerably lower than the present domestic rate on export cattle stands fully warranted, and in the face of the fact that last year \$400,000 of public funds were expended as subventions on coal shipments in Canada, the argument that the present period is no time to consider railway tariff reductions falls by the wayside. In dealing with the domestic situation with regard to beef cattle I shall ask your indulgence while I review charges assessed against shipments at Canadian stockyards. In connection with export cattle, however, I wish to point out two charges which exporters consider distinctly out of line. As you have learned from others appearing before your committee a charge of 35 cents per head is assessed at stockyards for weighing and yardage. Export cattle usually move through a stockyard at the original shipping point solely for the purpose of weighing and when this 35 cents per head is charged, as it is in these cases, for the use of the scales without any of the other services of the yards, it adds an expense against the cattle which is in no manner commensurate with the service rendered.

I may just explain that a little more fully. If I landed in Calgary with 200 head of export cattle, the seller requires them to be weighed by me to take over. There are probably no facilities to weigh them, and I have to move into the yards and use the stockyards scales. If I have just to move them over to the scales and to the cars, it costs 35 cents per head, under the live stock and live stock products act. I will come to that later.

*By Mr. Factor:*

Q. What is the yardage for domestic purposes?—A. Just the same, only they can stay in there a week.

*By the Chairman:*

Q. Your point is that for domestic purposes they use both the scales and the yarding facilities?—A. Yes.

Q. Whereas for export purposes you merely take them to the yard and weigh them?—A. That is all.

Q. And therefore you do not require the use of the yardage for storage?—A. None whatever.

Q. The charge is the same in each case?—A. Just the same.

Again, when cattle are resting at divisional points en route to seaboard, charges of \$1 for unloading and \$1 for loading are made in addition to the hay and straw charges. The question of existing prices for hay and straw at stockyards will be dealt with in a moment. It is my wish to point out here that the charge of \$2 per car for loading and unloading, a service requiring only a few moments of time on the part of stockyard labourers is another of the items which in the aggregate run the total cost of exporting cattle to an almost prohibitive figure. I may say, if you are coming down with a trainload of cattle, 33 or 35 cars of cattle, you have to stop at Winnipeg, and Winnipeg comes under the live stock and live stock products act, which of course entitles them to charge \$2. You come on to White River, you make one stop at White

River, and then to Montreal. Well, they do not come under the live stock and live stock products act, yet they charge you \$2 loading and unloading, together with the same price as the stockyards charge you for hay.

*By Mr. Factor:*

Q. Together with a profit of \$10 to \$12 a ton?—A. Just the same.

*By the Chairman:*

Q. Can you carry your own feed with you?—A. No sir, the freight rate would be so high it would taste so strong of silver that the cows would not eat it.

*By Mr. Factor:*

Q. Under what authority do they charge you?—A. An old Spanish custom that has become law.

Q. And they also charge you the extra profit on the hay as feed?—A. \$25 a ton for hay.

*By Mr. Young:*

Q. If that \$2 for loading and unloading is too much to White River, would it not be too much to Winnipeg?—A. That is what I am saying, it is too much, but you see gentlemen, one comes under the act.

*By Mr. Factor:*

Q. One has the approval of law, and the other has not?—A. The other has not, only an old Spanish custom.

The Livestock and Livestock Products Act gives the stockyards companies authority to make these charges, it is true, but we find that others, under cover of this act also make similar levies. At White River and Hornepayne, to give two illustrations of many, the transportation companies operate the yards for through billed cattle. These yards do not come within the purview of the Livestock and Livestock Products Act but the railways make the \$2 charge just the same.

The Livestock and Livestock Products Act was designed to insure a profit over operation costs to stockyards companies. We maintain, and we think you will agree, that some form of amendment to this act or a new piece of legislation that will insure beef cattle producers a profit, is long overdue, and to prevent them from making unnecessary profit out of the producer. But from the rumours you hear to-day about livestock and livestock products, it has no effect whatever upon the stockyard. They have money from operating costs to pay a dividend when the producer is only getting about 50 cents to a dollar on the cost of production. Everybody all along the line wants to justify himself, that he should make this cost of operation, whether the primary producer gets a thing or not; and after all he is the one that supports the whole structure. If he is not going to be helped and carried through, then the rest will fall down. It would be unfair to indicate these weaknesses in the export situation and not pay tribute to what effort has been made in behalf of the cattlemen. By universal agreement the stabilization of the pound sterling at \$4.60 for purposes of export, announced by Premier R. B. Bennett in his budget speech of 1933 did much to establish confidence in the overseas market and encouraged many men to ship who otherwise would not have done so. It is the devout hope of all exporters that this stabilization will be continued for the fiscal year of 1934. Fortunately, the British pound went to par soon after the announcement of the policy and for the major part of the time since, has hovered around \$5, where it is at present. Calls upon the stabilization fund, have, therefore, been extremely



light, but exporters feel the moral effect will continue even though demands on the stabilization fund be less in the next twelve months than they have in the past year.

Credit should also be paid the two trans-continental railways for effecting a reduction in the elapsed time necessary to move shipments from the west to sea-board. Whereas three to five layovers were necessary, cattle often are now taken through to Montreal with only two layovers when volume warrants.

If it appears to you that this presentation leans heavily toward the export phase of the cattle situation, permit me to assure you here that the domestic angle also calls for a number of reforms and these, with your permission, I shall now proceed to outline. The somewhat extended detail of the export business is justified, however, by the circumstances under which your committee was called into being, and the name it has been given.

It is sometimes necessary to remind ourselves that the fundamental concern of beef cattle producers is the prevailing domestic price for their product. Foreign markets are of value only in so far as they assist in raising the level of the home price and at the present time with a quota on cattle to Britain and the barrier against cattle across the international boundary still firm, it is to the recovery of the domestic market that we must look for a large measure of the relief we hope is soon to be forthcoming.

Correctly or incorrectly beef producers have long felt they are victimized in the marketing of meats and meat products in Canada. They maintain that far too large a proportion of the consumer's dollar goes to those who process and distribute beef and far too small a proportion is returned to themselves. I may say through co-operation and organization with the association that I am the manager of, we have endeavoured to make export shipments big enough so as to make it worth while so the railways can give us a faster run. We will run from Calgary to Winnipeg and Winnipeg to White River, and White River to Montreal.

*By Mr. Young:*

Q. You try to make a full train?—A. Yes; in that way it reduces the cost considerably, because your shrinkage is the time the cattle spend on the railway.

Q. A full train load is just the same as a car load?—A. It is the same, only you get a little more service, but no reduction in cost.

*By Mr. Factor:*

Q. That is a very general statement you are making there, that the producers are victimized in the marketing of meats and meat products in Canada. Have you got anything to substantiate that?—A. I said I have long felt that. I have made it general enough.

Mr. ILSLEY: Rightly or wrongly.

The WITNESS: Yes, true, correctly or incorrectly.

Mr. FACTOR: That is only a feeling; that does not help us very much.

The WITNESS: I will probably emphasize the feeling a little further on. Unfortunately, it has been impossible for us to compile figures showing exactly these proportions for Canada, but in the United States where the same complaint is made by cattlemen, statistics show that 57½ cents of the consumer's dollar goes to those who act between the producer and the consumer, and only 42½ cents to the producer himself.

Canadian cattlemen have long looked with suspicion on those directing the meat packing industry. I appear before you to-day as a cattleman and not as a business efficiency expert with a wealth of knowledge regarding the intricacies of the meat packing industry, but I do suggest to you in behalf of



our western cattlemen, that the distrust they show in those who handle their cattle, as they move toward the consumer's table, should be recognized, and that action should be taken which will either prove this distrust unfounded or rectify the evils which may be found to exist.

In support of this contention and without any desire to condemn the packing industry unheard, the following data will explain the producers' frame of mind:—

During the year 1932, 147 packing houses and abattoirs paid the farmers and ranchers of this country \$73,463,953 for their cattle, calves sheep and hogs. In this case I was unable to keep the hogs and sheep away from me.

In addition, these 147 establishments purchased dressed meats, fresh or partially cured, to the value of \$8,217,289. The total of these two sums \$81,681,242 represents the value of the raw materials as they went into the hands of the packers.

Mr. FACTOR: You are going a little too fast.

The WITNESS: I beg your pardon.

*By Mr. Ilsley:*

Q. What year was that?—A. 1932.

Q. The calendar year?—A. Yes.

*By Mr. Factor:*

Q. What was the total purchase of the raw material?—A. \$81,681,242.

Q. When processed that brought a revenue of what?—A. It represented \$117,596,697.

Incredible as it may seem this \$81,000,000 purchase gave the packers a stock which, re-emerging from their plants as fresh meats, cured and cooked or canned meats and by-products had a value, according to Department of Trade and Commerce figures, of \$117,000,000. The actual figures are \$117,596,697.

On an investment in materials of slightly over \$81,500,000 our packers made a gross profit of nearly \$36,000,000 or, in terms of percentage a gross profit of 44.2 per cent. You may scour the country from one end to the other, gentlemen, without finding a live stock producer who achieved a gross profit of 44.2 per cent in 1932.

*By Mr. Ilsley:*

Q. 44.2?—A. Yes.

Q. Where do you get this profit from; do you get it by subtracting \$81,000,000 from \$117,000,000?—A. I am showing the gross profit.

Q. Does not that cover wages and operating expenses?—A. Certainly; I am saying it is the gross profit; it is a clear gross profit.

Q. You can call it gross profit if you want to, but it does not look like gross profit to me?—A. That is what it is.

Q. I do not think so?—A. What would you call it?

Q. I certainly would not say it is a profit just because you subtract one figure from the other without taking into account operating expenses. However, I do not know anything about accounting?—A. Nor do I, so it would be no use for me to argue with you.

Mr. EDWARDS: That is the term that is generally used.

Mr. FACTOR: That is usual, is it?

Mr. EDWARDS: Yes.

The WITNESS: It is important to note that these figures do not include those for poultry, eggs, cream, butter or cheese or any of the other commodities forming an integral part of the activities of our Canadian packing houses.

Allow me to give another illustration of the spread between prices paid for live cattle and those quoted after the animal has been slaughtered. You will recall mention was made a few moments ago of the low price of \$2.88 for choice steers at Winnipeg last October.

At that time a choice 1,200 pound steer was worth \$34.56 to the producer at Winnipeg less transportation, stockyards charges and selling commission. During the same month the by-products of a 1,200 pound steer had a total gross by-product value of \$7.45. This total is established as follows:

Hide, about 60 pounds, at 7 cents per pound. . . . .	\$ 4 20
Fancy meats, heart, liver, tongue, ox tail, cheek meat, sweet breads, tripe. . . . .	1 50
Casings . . . . .	1 00
Fats, edible and inedible. . . . .	75

Total by-products credits, per head. . . . . \$ 7 45

*By Mr. Edwards:*

Q. Is that a fair statement?—A. That is the actual statement.

Q. Yes, but there are a lot of circumstances in the hide business that you do not put in there?—A. I cannot see that, that is what makes me suspicious. Seven cents for the raw hide and 46 cents for the tanned hide looks like a tremendous spread to the average cattleman. I am allowing him seven cents; I want to know what happens to the difference?

Q. The country hide and the packer's hide is quite a different thing?—A. I understand that. I am allowing them 7 cents a pound, and that makes 39 cents of a spread.

*By Mr. Senn:*

Q. Are your cattle infested with warbles?—A. Yes, everything they can get.

Q. That would affect the price of the hide?—A. It would at this time of the year, but not in October. It would not have any effect on the hide.

*By Mr. Factor:*

Q. What year is that spread for?—A. Last year.

Q. 1933?—A. Yes, that is last year.

Q. Where did you get that information from, may I ask?—A. I had this information from the packers, that is as far as the by-products is concerned.

Q. What about the other?—A. I have a bill for it, for the 46 cents a pound, buying one or two more sides back on the side.

Q. Seven cents raw and 46 cents tanned?—A. Yes.

Q. From these figures you will see that of the gross value of the live steer 21.5 per cent was returned in the gross wholesale value of the by-products. It needs no comment of mine to reveal to you the opinion of the producer towards such an obviously unfair situation.

In a town a few miles south of Calgary at a time when hides were practically valueless to the cattleman, the same hides processed into tanned leather were being quoted to the same cattleman at a price of \$60 per side. By the act of tanning a hide it was mysteriously converted from an almost worthless product into one carrying a valuation of 46 cents per pound.

These two illustrations, the value of by-products compared to the value of a live steer, and that of a raw hide compared to a piece of leather, indicate the conditions under which cattlemen are operating. Along with other examples that could be given they reveal the reason for the wide spread discontent at present existing among all producers of agricultural commodities.

Even the ordinary every day marketing of cattle on our domestic markets provide several thorns for the flesh of our producers. In the first place they are required to take 3 per cent off the loading weight to allow for shrinkage. This 3 per cent shrink is charged against the producer no matter under what conditions the cattle have been moved to the shipping point, even though they travel on a hot summer day a distance of twelve or more miles and are gaunt from hunger and pathetically thirsty when they arrive at the scales, a 3 per cent deduction is made for shrinkage.

*By Mr. Young:*

Q. Is that done with all cattle that go through the packing house?—A. It is done with all cattle bought in the country.

Q. With all cattle bought in the country?—A. Yes.

Q. That does not apply to cattle shipped in on the railroad?—A. No; they hold off the shrinkage. It applies to all country bought cattle that are loaded at country points.

Mr. FACTOR: Loaded on trucks?

The WITNESS: No; I am talking about car load lots.

*By the Chairman:*

Q. These were all at country points?—A. Yes.

Q. And they took off three per cent for shrinkage?—A. Yes. In some of the cases these cattle have travelled 50 to 60 miles and were two or three days on the road.

Mr. YOUNG: They were pretty well shrunk by the time they got there.

The WITNESS: Yes.

*By Mr. Senn:*

Q. They are not paid for at a flat price?—A. Bought per pound.

Q. There is an F.O.B. price and an off car price, and different ways of buying them, is there not?—A. On the ranch they are bought F.O.B. railroad. They used to be all sold by the head, but you never see any cattle sold by the head any more in western Canada. They are bought F.O.B. railroad, so much per pound.

*By Mr. Young:*

Q. You sell at the loading point?—A. All of these cattle are sold in the country to the packing house.

*By Mr. Senn:*

Q. You are told that when the bargain is made?—A. Three per cent shrinkage?

Q. Yes.—A. You cannot get away from it; he would not take them.

Q. If you took those cattle to the loading point and shipped them through to the packing house, could you not sell them without shrinkage?—A. No.

Q. You have no choice in the matter?—A. No.

Q. You cannot load them at your point and ship them to the packing house and take the weights there without shrinkage?—A. No; he buys them F.O.B. at the railway point.

Q. Suppose you did not sell?—A. What would you do with them?

Q. Load them into your cars and ship them into the packing house. If you did that, what would happen?—A. He would not buy them when they got there.



*By Mr. Senn:*

Q. If you ship them to the stockyards, what would happen?—A. You probably would not sell them there, no, not a quarter. There is no market for ranch cattle in western Canada.

*By Mr. Young:*

Q. These are for export?—A. No.

Q. What are they for?—A. Home consumption.

Q. Where do they go?—A. Toronto, Montreal, or to the coast.

Q. To the packing houses?—A. Yes.

Q. Direct to the packing house?—A. Yes.

Q. How about competition? Do you buy at the ranch?—A. No, I do not buy.

Q. You are a ranch man?—A. I am a ranch man.

*By Mr. Factor:*

Q. Who is the intermediary?—A. Between the packing house and the rancher?

Q. Yes.—A. The drover, the big buyer, whatever you might call him.

*By the Chairman:*

Q. Let me get this right. You bring 100 steers off the ranch?—A. Yes.

Q. You take them to a High River shipping point or some place like that?—A. Yes.

Q. You are forced, if you wish to sell these animals, to sell them at that point to the packing house buyer and accept the 3 per cent shrinkage?—A. Yes; they are already sold, Mr. Chairman. My word, no rancher would come to a shipping point without having them sold.

Q. The buyer has been up to the ranch and bought them?—A. Yes.

Q. Suppose, as was asked a moment ago, you refused to sell them to the buyer at the ranch, and you shipped 100 head into Winnipeg?—A. Yes.

Q. —what would happen?—A. Well, they would know in Winnipeg long before you arrived there that you would not take the proposed offer, and you would get less.

Q. Mr. Buyer would inform them?—A. Yes.

Q. Can you make a statement of that of your own knowledge? Can you give us an incident that you know of? I have heard that statement made.—A. It is hard to prove those cases, but nevertheless it is a fact.

*By Mr. Factor:*

Q. But the effect is there?—A. Yes. We have cases right now where a man has a lot of cattle to sell, and he has a packer buyer come out there, and if he does not buy them for some reason, a question of price or shrinkage, etc., you are lucky if any other one ever comes out.

*By the Chairman:*

Q. You are interfered with?—A. I fear so.

Q. You think there is collusion?—A. Yes. Not only that, but there is no competition in the cattle industry in this country on the question of buying, as far as western Canada is concerned. Why would there be? It is a buyer's market. The packer is a highly organized unit. He knows how many cattle are needed. He knows if he cannot get yours, he will get that of someone else.

*By Mr. Young:*

Q. You cannot escape from them?—A. Only if you go to the stockyards and then you have more charges.

Q. That is not much escape?—A. Certainly it is no escape, none whatever. Again, a deduction of one-half of one per cent of the total value of cattle shipped is made as a condemnation charge. This charge is a relic of a by-gone day. The health of Canadian cattle, acknowledged the world over, is such that this condemnation charge has long since been non-applicable, yet it still persists to hamper the cattle producer in his endeavour to make his operations financially successful.

On arrival at stockyards the cattle are assessed on a basis of 35 cents per head for weighing and yardage. Sometimes the cattle are in the yards only a few hours before they are sold and moved out, but so far as the charge is concerned it makes no difference whether they remain an hour or a week, this charge of 35 cents per head stands.

An attempt was made before this body last year to justify the prevailing high prices of hay and straw at stockyards. In our opinion this attempt failed miserably. No amount of argument, in our opinion, can justify the adding of from \$12 to \$13 per ton to the price of hay simply because it is fed by a stockyard company. Then to come to this half of one per cent reduction condemnation insurance. Someone explained this or tried to explain it the other day. This was originally a gentleman's agreement between the cattle man of western Canada and the packers, and also the animals branch here at Ottawa, that this one per cent would be left to take care of tubercular cattle that existed at that time, many years ago. It is said there is no fund being built up out of this money. It is being interchanged, taken from one account and charged to another. That is probably correct, and knowing the statement that has come from the packers—it is always their assumption that the condemnation is more than the money they ever collected or were credited with—the fact remains that to-day it does not cover just tuberculosis. They have it covering about 60 odd things with highly technical names, and they force you to pay this. Take a case like this, a man sells 200 odd cows, they take from him at the railroad point \$23. The condemnation insurance is just a legalized system of theft, that is all, because the cattle of western Canada—we have proof of that by the British market—are the healthiest cattle in the world. We would not be allowed to go there, if they were not.

*By Mr. Senn:*

Q. If the cattle were shipped to the British market, there would not be any condemnation; the packers would lose nothing on them anyway, would they?—A. No; but all our cattle don't go to the British market.

Q. I have heard complaints made that condemnation charges should not be levied against export cattle, even if it is a legitimate levy against others?—A. But there are cases where commission men buy on order where they collect this condemnation insurance.

*By Mr. Ilsley:*

Q. Is this one of the charges authorized under the Livestock and Live Stock Products Act?—A. No; it is condoned by everybody.

Q. It does not have any statutory sanction?—A. No.

Q. Or sanction by government regulations?—A. No.

*By the Chairman:*

Q. If you shipped 100 head of cattle from an Alberta ranch to Toronto and offered them for sale on the market, and you lost let us say one or two head on the way down, would that be compensated?—A. No.

Q. You would lose that?—A. You would lose that, unless you could prove it was negligence on the part of the common carrier.

Q. And if you sold in the Winnipeg market, you would have to pay this condemnation insurance as well?—A. Yes.

*By Mr. Factor:*

Q. What is the modern interpretation of condemnation insurance? What is it?

*By Mr. Kennedy (Winnipeg):*

Q. You gave it as legalized theft?—A. I covered it by that.

Mr. PARRY: Mr. Factor was asking you to go into it more particularly.

*By Mr. Factor:*

Q. Yes, what does it cover? It is supposed to be a charge for something. Let us have that?

*By Mr. Kennedy (Peace River):*

Q. It was for tuberculosis?—A. That is what it was originally intended for, to protect against tuberculosis. Assume you were a drover, you buy a car load of cattle and you ship it in there. Well, naturally you have taken the onus on the quality and health of this cattle. They charge you. If you were thrown back the cattle—put in the tank—you would naturally have big losses. But they charge you half of one per cent and that protects you in that case.

Q. Suppose there are two or three cattle that die or have some form of disease; is that condemnation charged?—A. No, none whatever.

*By the Chairman:*

Q. We were told the other day it would cover that?—A. It will not cover.

Q. It does not cover?—A. No, certainly not.

*By Mr. Kennedy (Winnipeg):*

Q. Is condemnation insurance provided for by statute?—A. No.

Q. Not at all?—A. No, it has become law by custom, apparently.

*By Mr. Ilsley:*

Q. Is the meaning of your statement that it is now extended to cover a lot of other things?—A. That the packing houses could not prove—wanted to prove that this money was not sufficient to cover their losses, and they have added on additional diseases and bruises and everything else in it.

*By Mr. Young:*

Q. Covering bruises?—A. Everything.

*By the Chairman:*

Q. Ordinary risks?—A. Yes.

*By Mr. Young:*

Q. Does that cover broken legs, any injuries in shipment?—A. Any unseen; if they are unseen.

Q. What do you mean by bruises?—A. You can't find a bruise until an animal is killed. The inspector cuts that out. That is a loss.

Q. Any injury that they can see before the animal is killed is not covered?—A. No.

Q. It is charged right back to the shipper?—A. Yes.



*By Mr. Kennedy (Peace River):*

Q. Some sort of condemnation insurance is necessary is it not? You need some charge?—A. I think there is enough seen charges without any more unseen ones.

Q. Well, when the carcass is destroyed because of T.B., who should pay that?—A. Those that buy it.

*By Mr. Young:*

Q. If there was no such insurance, and the packer has an average of one steer in a hundred condemned, would it not affect the price he paid? Would he adjust his price accordingly?—A. Yes, certainly.

*By Mr. Senn:*

Q. It is protection to the shipper who sells to the packer?—A. It might be, if he has tuberculosis or something like that. Certainly it would not to the fellow that does not have that.

*By Mr. Ilsley:*

Q. On some of these markets the seller does not have to avail himself of that protection, though; he can take the risk; it is at his option. There was some evidence to that effect?—A. I heard that evidence the other day, but you will have quite a time following a cow through a packing house and proving she is yours; if she had tuberculosis, you would have quite a time proving she was not yours.

Q. You are suggesting there might be some fraud in shipment, that he is afraid of some fraud if he takes the risk himself? He is afraid some animal said to be is, that is not his, some diseased animal will be said to be his; you suggest that is the reason why he does not assume his own risk?—A. Yes. I would not want to go in a stockyard and follow a cow every time right through.

*By Mr. Young:*

Q. You prefer to pay the half a cent?—A. I do.

*By Mr. Ilsley:*

Q. You yourself do pay that?—A. Yes.

*By Mr. Kennedy:*

Q. To be practical about this thing, inasmuch as there will be cattle bruised and certain losses—I mean to say they are condemned by disease or something of that sort;—that loss has to be taken care of by some method?—A. That is always taken care of in the price the packer pays or anybody else pays. Any risk they are taking is taken care of in the price they are paying for the commodity. That is a regular business practice in any sale.

Q. Yes, inasmuch as it is taken care of in some other way?—A. Yes.

Q. Being taken care of by this condemnation insurance, do you not think that improves to some extent the price that they pay?—A. I do not.

Q. That is, as the risk is eliminated when they are bidding?—A. No. It is entirely unfair to a great tract of this western country that does not have any disease.

Q. I see how you feel. I am not taking any issue with it. But taking the point of view if I am buying cattle, and the question of a certain loss is incidental to the business, if it is taken care of by insurance surely that puts me in a position to give a better bid than if it was not taken care of?—A. It might be; but packers have never given us a concrete statement of how much money has been credited or debited, and what it was credited or debited for.

Q. You feel it would be better if there was no condemnation insurance at all, just let the seller take the chance of being called upon to refund?—A. Certainly.

Q. In the case of condemnation?—A. Certainly. Why should he not?

*By Mr. Ilsley:*

Q. The seller can do that now if he wants to, but he is afraid to do it, you say, for fear he will be cheated or beaten?—A. I don't say he is afraid to. I say I would be afraid. I would not be able to find my cows.

Q. You don't do it yourself?—A. No, I don't do it, because I have not time to follow these cows to the abattoir and see them killed. They may go to Montreal.

Q. What you suggest is that it is open to you to follow that practice, but you do not follow it?—A. These cattle may go thousands of miles from me to an abattoir.

Q. I know; all that is correct. But this committee is confronted with the necessity of making some recommendation, or suggesting something?—A. Yes.

Q. And you are suggesting that there should be no charge made for condemnation insurance to sellers of cattle, that they should take the risk themselves?—A. Yes.

Q. And yet in the same breath, almost, you say that it is impracticable?—A. I am talking about the men that I am representing. They do not have tuberculosis, and if this thing is something which was put on for tuberculosis in the first place, it should be defined what it is for and what it is for now; and if it is not for that, take it off.

Q. Would it not be better that some investigation be made as to the amount that would really cover this condemnation, this risk, and then have that amount imposed? You think that the amount is excessive. Would that not be better than what you suggest, namely that the seller take the risk?—A. Well, I am willing to take the risk.

Q. Well, you don't.

Mr. KENNEDY (*Winnipeg*): You don't take it.

The WITNESS: I can't take the risk.

*By Mr. Kennedy (Winnipeg):*

Q. You say you are willing to take the risk?—A. I would, but I can't. They charge you anyway.

Q. Let us be practical. Without condemnation insurance, you want to take the risk—and you say you can't because you figure there is too great a hazard in it—without an investigation of the elements of the hazard?—A. Yes. As far as the cattle is concerned, there is no hazard.

Q. No, but you figure as far as the seller is concerned, he is taking too great a hazard?—A. Yes.

Q. If he says, "I won't pay condemnation insurance, but I will stand the risk," the elements of hazard being, you say, they can't follow their cattle through or they may be hooked one way or another or cheated; those are the elements of the hazard?—A. Remember that the packer won't move this cattle; the buyer won't take them without deducting this money. They won't move this cattle. He takes it off right at the railroad.

*By Mr. Parry:*

Q. You have to pay it anyway?—A. Yes.

Q. Whether you like it or not?—A. Yes.

*By Mr. Ilsley:*

Q. Another witness said it was optional?—A. He won't move this cattle without deducting this money.

*By the Chairman:*

Q. In theory it is optional but in practice it is obligatory?—A. Yes.

*By Mr. Parry:*

Q. You are suggesting that it should be like a horse trade; when the deal is made, the packer can size up the cattle and take his own risk; that is what you are recommending?—A. Yes.

*By Mr. Kennedy (Winnipeg):*

Q. If he has to do that—and I am not arguing one way or another—but if he has to do that, and there is an element of risk in it to the buyer, is he not going to take that into consideration when he is making his bid on your stock and cover that hazard by reducing his bid to the same extent?—A. Certainly; I agree with you there.

*By the Chairman:*

Q. Do I correctly interpret you in this, that this condemnation insurance was originally designed to take care of possible cases of tuberculosis which could not be discovered until the animal was killed?—A. Yes.

Q. Your complaint is that by practice, without a direct law covering it, it has been extended to cover other alleged complaints against the carcasses?—A. Certainly.

Q. And in the third place, that no fund has ever been set up?—A. No.

Q. Out of this one-half of one per cent that is charged?—A. That is what I am given to understand.

Q. And no one knows what the charges amount to, one-half of one per cent over a period of years?—A. For the specific purpose it was set up for.

Q. For the specific purpose of T.B.?—A. Yes.

Q. And you don't know whether one-half of one per cent is too much or too small?—A. No.

Mr. FACTOR: And also they have extended the items which condemnation insurance covers.

*By the Chairman:*

Q. Yes, and your contention further is that many of these things which are cited as reasons for the support of condemnation insurance, such as bruises and so forth, are merely incidental to the business and should be borne by the buyer or the packer as the case may be?—A. Yes, surely, by the person who owns the cattle.

Q. You further stated, if I recall it correctly, that the people you represent, the big ranchers of Alberta— —A. And Saskatchewan.

Q. —and Saskatchewan, are free from tubercular cattle?—A. Certainly.

Q. And therefore your argument is that if you wish to ship your cattle without this T.B. condemnation insurance charge, you ought to be permitted to do so?—A. Yes.

Q. And that the buyer or the packer will not take them without making that deduction arbitrarily at the point of shipment?—A. Certainly; he won't take them at all.

Q. That is the practice?—A. Yes.

Q. And that is what you complain of?—A. Yes.



*By Mr. Kennedy (Peace River):*

Q. When you say the cattle are free from T.B., have you got T.B.-free areas?—A. No, not in the Alberta areas, no; but we have T.B.-free areas in Saskatchewan, and they won't take them without their one-half of one per cent.

*By Mr. Ilsley:*

Q. If there was free competition among the buyers it would not make any difference if that was changed?—A. No, if there was any.

Q. It would not make any difference for the reason suggested by Mr. Kennedy?—A. Yes, but there is no competition.

*By Mr. Mullins:*

Q. Is it deducted from the price of the cattle sold to the exporter?—A. No, it is not. I never have been, but in cases, other buyers buying cattle out in the country have.

Q. If you sold me a train of cattle in Winnipeg, and I was going through to England, I would take off the condemnation insurance?—A. Yes, you would if I let you.

Q. Which is unfair?—A. Certainly it is unfair.

The CHAIRMAN: All right, proceed, Mr. Byers.

The WITNESS: I remarked about that 35 cents stockyard charge; it does not make any difference whether the cattle are in the stockyards five minutes or a week, there is no difference.

*By Mr. Young:*

Q. Just on that fact, you say they charged you 35 cents per animal over the scales.—A. Yes.

Q. And that the same 35 cents charge is made whether you leave them in the yard or not?—A. Yes.

Q. Suppose you bring your cattle in from a distance, it won't cost you any more to leave them in the yard; you can leave them in there long enough to rectify the shrinkage?—A. I am not interested in shrinkage. In my case these cattle would be heading for the railway to go right out that day for export. I am delivering those particular cows.

Q. As soon as you leave them, they are going to take 3 per cent off for shrinkage?—A. Not in this case. These are weighed up for export.

Q. They don't take that off?—A. They don't take it off because these cattle are being exported, and in our own case the export buyer demands that 3 per cent be taken off.

*By the Chairman:*

Q. Your point is that the weighing charge and yardage charge should be separate?—A. Yes, you are paying for services.

Q. Which you do not get?—A. You are paying for a week's service, and you may not be getting five minutes' service.

*By Mr. Young:*

Q. In the case of a man who ships to the packer, and has to stand this 3 per cent shrinkage, what is to stop him from feeding and watering them, and watering them every night? Then he can stand the shrink?—A. They want 5 per cent then.

Q. Are you sure of that?—A. Yes, I am certain. You can't fool the packer.

Q. Your cattle have already shrunk in your fifty-mile journey?—A. Yes. He wants another 3 per cent, but he takes delivery at the railway. If there is no scale at that particular point, they will be weighed off cars in Calgary.

Q. Does he take 3 per cent shrinkage there?—A. No, possibly not; in some cases not. You might be a long time on the railway.

*By Mr. Kennedy (Peace River):*

Q. The point you are making is that the packer can do nearly as he likes under present conditions?—A. Certainly.

*By Mr. Young:*

Q. Sometimes he takes it and sometimes he does not?—A. Under certain circumstances he does not take it. They might be seven or eight hours on the cars and never have any shrink. I have moved cattle from Didsbury or Olds and have weighed them out, and weighed them off the cars at the stockyards and there has just been 3 per cent shrink.

Q. No fixed rule, apparently?—A. No.

The CHAIRMAN: Will you proceed.

The WITNESS: Representatives of stockyards have told you that the selling of hay at \$20 per ton on a purchase price of \$7 or \$8 per ton is necessary to meet operation costs of the stockyards. They have complained to you that the percentage of stock marketed through stockyards has fallen appreciably. We submit that the main reason for this fall in volume handled through stockyards is due to the inequality of charges. Piling up charges on feed is a poor method of meeting an operating deficit and stockyard operators need look no further than this injustice in the search for reasons for the decline in volume of which they complain.

*By Mr. Young:*

Q. You are not in favour of requiring all stock to go through the yard?—A. No, I certainly am not. We have ranchers in Saskatchewan in the business for forty years who never shipped cattle to the stockyards; in fact they were in business there before there were any stockyards in western Canada, no packing houses. In connection with the direct shipment to packing houses—I don't know anything about hogs, I am talking about beef—but in the direct shipment there are two factors that enter into a man going straight to the packing house, and in the question of stockyard charges which comes into it. It is the human side of it. He takes the line of least resistance and goes to the packing house because he figures he gets away from that list of charges that looks like water. The second thing is that the trucker or man who is hauling his stock may be a drover and time is valuable with him; he has probably to go fifty or sixty miles, and rather than go to the stockyards and wait on his return turn and take them back to the man he is hauling them for, he goes to the packing house. Whether he gets away from these charges or not, I am not prepared to say, but nevertheless, that is the reason he gives.

*By Mr. Kennedy (Winnipeg):*

Q. There is the point you have just made which I would like to stress. It was referred to yesterday or the day before, the question of abnormal charges for feed in the stockyards?—A. Yes.

Q. And the reason was given, as you have intimated, that it was necessary or it was one way of the packing house paying overhead charges?—A. Yes.

Q. That is an overcharge that is obvious to a farmer, and I take it that the reaction on all sellers, on all producers, is a feeling that an injustice is being done to them; is that right?—A. Yes.

Q. That is their feeling?—A. Yes.

Q. And that feeling is widespread?—A. Yes.

Q. I have no doubt of that at all.—A. It is hard to understand why hay worth \$6 outside the fence is worth \$20 inside.

Q. The farmers would not feel so bad if it was taken out of them in some other way that they did not know about?—A. No, I don't think they would, if it was by some other charge.

Q. You think that abnormal charge for feed is reflected in the tendency on the part of the farmer to escape paying that charge in the stockyards by shipping direct to the packing plant?—A. To get away from that line of charges, there is no question about that.

And finally, gentlemen, the shipper of cattle is required to pay a selling commission. In Calgary this is \$17 per car. There is more justification for this charge than for those made by the stockyards companies, for producers are not unmindful of the fact that an office organization is necessary behind the cattle salesmen and that very valuable services are rendered by commission firms in announcing prices and price trends. The selling charge, however, has no relationship to the value of the cattle. It is the same whether beef on the hoof is worth ten cents less than three cents per pound. That is the remarkable thing about it.

It has been my purpose in reciting these various factors entering into the marketing of cattle, to impress you with one fundamental, namely, that the beef cattle production industry has been neglected and that there is urgent need for legislation which will at least put it on a basis of equality with the various agencies dealing with beef and beef products from the time these leave the producers on the hoof until they are consumed.

In connection with the beef cattle industry I might say that before the grain farmers ever came through the west we were exporting a tremendous number of cattle from western Canada. It was probably the only living produced in western Canada of any volume. Since farming came into being the government have done a lot of things, they have spent hundreds of millions of dollars on elevator terminals, storage facilities and a lot of things for the farmer, but very little has been done for the British beef cattle industry at any rate.

*By Mr. Young:*

Q. What forces have operated to stop the export of cattle to the Old Country; you used to export tremendous quantities, what forces have operated to stop that?—A. You had the tariff situation in the United States which cut off the logical market for Western Canada, logical at least from the standpoint of geographical location.

Q. What shut off the British market?—A. Lack of shippers probably to a certain degree, and lack of cattle of the right kind.

*By Mr. Senn:*

Q. Wasn't there an embargo?—A. The embargo only stopped cattle from going inland at the time, they had to be killed on landing.

*By Mr. Young:*

Q. You mention lack of cattle, have people stopped raising them?—A. Well, we did increase cattle last year in Canada, we have had a considerable increase, and we have had an increase in population.

Q. And the domestic market has taken more cattle?—A. The domestic market is the best market you have, and should probably be concentrated on more than ever; but so long as you have a surplus you will have no competition, you must find a market outlet for these surplus cattle.



Q. Then you think the domestic market will be sufficient to take care of the supply?—A. No, the domestic market does not overtake the supply, we have a greater supply than we have demand.

Q. But there is little exportable surplus now, you would not say that that should not be developed?—A. No, I think we would have to export more cattle, and I think we would have exported more cattle last year if we had had the right kind.

*By Mr. Kennedy (Winnipeg):*

Q. It is not a question of surplus so much as it is of volume, and the fact that there is a surplus?—A. Certainly that is a factor, it does not amount to much—three or four per cent of the total production of the country; but the effect of that is to make a buyer's market and that has a tendency to force prices down. What interest would the packer have in raising the price, even if he could give another 2 cents a pound on the hoof—

*By Mr. Young:*

Q. I have heard the complaint made that the British buyer does not care much for buying Canadian cattle and hogs, because one year he can get them and the next year he cannot?—A. Well, he can get them in certain parts of Canada. There is no question about the inclination of the British buyer for Canadian cattle. Our cattle are very favourably received.

Q. They are glad to get them at any time?—A. Yes, cattle of the right kind, but we have a certain inferiority complex about that in that we want to sell, not what they want to buy but what we want to send. Our cattle should be graded just as carefully as our bacon is.

Q. Have we been a little careless in our shipments at times?—A. Yes we have.

*By Mr. Kennedy (Winnipeg):*

Q. I do not want to interrupt the trend of your brief, but there is one matter which I would like to have you deal with briefly before you leave. You had to do with a shipment of some cattle through the Hudson Bay, didn't you?—A. Yes, I had a space contract out of Hudson Bay on the first ship.

Q. That has a lot of interest for people in the West?—A. When I am through, if you would ask me about that, I will be pleased to give you what information I can.

The fact that legislation, in the form of an Agricultural Marketing Bill, is at present being considered in the House of Commons has not escaped attention, but as the representative of Western ranchers I do not wish to place myself in the position of commenting upon this proposed legislation before it is tabled in the House.

The beef cattle industry is desperately in need of a national policy and our producers are firmly convinced that the evils of marketing and distribution which they believe are at present rampant, can only be abolished by the formation of a National Live Stock Board. This Board, in their opinion, should have wide powers. It should have power to fix minimum prices for cattle on the hoof. It should have power to fully investigate any or all of the allegations made against the various marketing and distributing services connected with the beef industry and it should have power to immediately correct any injustices to the producer found in these services.

The creation of such a Board, vested with wide powers, would speedily result in relief to the sore pressed beef producers of Canada. It offers a means whereby the present drastic situation can be coped with. Delay in obtaining relief from

the present situation, whether this comes through increased prices or lower marketing costs, or both, will mean that many operators in the West will, in the near future, take the last step into bankruptcy. A National Live Stock Marketing Board, in our opinion, offers the only immediate means of continuing these men in production, and rehabilitating the entire industry.

*By Mr. Ilsley:*

Q. You approve of the principle of a fixed price?—A. Yes, sir.

*By Mr. Kennedy (Winnipeg):*

Q. You will recall that I was asking you a question just now, about giving the committee the benefit of your experience with respect to the shipping of live stock through the Hudson Bay route?—A. I did not follow the shipment through the Hudson Bay, for the reason that I was on my way to England with another shipment. I have all the particulars. There is nothing the matter with the rate. While there are some charges that are more than they are the other way, there is always the hope of changes as time goes on.

Q. I think the matter of rates has been gone into pretty well on a number of occasions, but perhaps you could give us some information about savings, insurance costs and other rates?—A. You must remember in the first place that there is a certain area of this country that is adaptable to the shipments of cattle through Hudson Bay—all across northern Saskatchewan and Alberta you could ship through Churchill. You should be able to save a little cost there, but your insurance is almost the same as it is out of Montreal on cattle.

Q. Take from an average area, from a practical point—from Saskatchewan, Alberta, or Manitoba—take cattle shipped from that area through the Hudson Bay to Liverpool, as compared with the other rate through Montreal—the combined rail and ocean rates—how do they compare, or do you know?—A. Just about the same average as Montreal; a little higher than they would be say from the Maritime ports, Saint John and Halifax.

Q. Is there any saving in cost, or insurance, on shipment of western cattle through the Hudson Bay route?—A. Not at the present time.

Q. Did you ship through there yourself?—A. We did, 200 head for a member of the organization.

Q. What was the net result of this, did you save anything?—A. No, just about the same for the reason that these rates were high and it was the first time it was ever done—incidentally it cost a little more money than ordinary.

Q. Was there any saving of time?—A. As compared to rail, yes.

Q. What was the condition of the cattle on arrival?—A. If you can travel one day on the railroad against six days in the railroad they must be in better condition.

Q. That is what I want to get?—A. They must be in better condition, for a sea voyage does not hurt cattle.

Q. Your experience is that cattle shipped by the Hudson Bay route arrive in the Old Country in better condition?—A. Yes, owing to less time on the railroad. You expect a 10 per cent shrink on cattle shipped to Montreal from Calgary.

Q. The more direct they go the better condition they are in?—A. Much better condition.

Q. The advantage then is the condition in which they will arrive on the British market when shipped by the Hudson Bay route?—A. It is a factor, the condition of the cattle; because they would be worth more money.

Q. I mean, is it an important factor?—A. Certainly, it is an important factor. But you must remember that you only have a short season.



*By Mr. Kennedy (Peace River):*

Q. You have mentioned a great many things, can you tell us anything about Russia?—A. Well, I have had a lot of good times in Russia.

*By the Chairman:*

Q. When?—A. Oh in 1926, 1927 and 1928; I was over there and I saw a lot of interesting things—

*By Mr. Kennedy (Winnipeg):*

Q. We are investigating as to cattle, we take it for granted that you had other interests?—A. Oh excuse me, I am not going to tell you anything in particular—what about cattle, what do you take for granted.

*By Mr. Kennedy (Peace River):*

Q. You were talking about getting rid of the surplus, is there any chance to get rid of the surplus there?—A. You ought to know the condition as well as I do as to why we don't sell to Russia—I would sell to Russia or to China, or to anybody who could pay me.

Q. Is there a market there for our cattle?—A. I think there is, yes. Their cattle per capita is lower than any other European country, and the quality is poorer.

Q. And you think then that there is an opportunity to develop the trade there?—A. I think there is.

*By Mr. Factor:*

Q. Did you explore the opportunities of the market in Russia when you were there?—A. I was very observant. I took a couple of shiploads of horses to Russia, but they didn't say anything about cattle to me.

*By Mr. Senn:*

Q. Has your concern ever seriously considered shipping cattle to Russia?—A. We endorse the movement of cattle to Russia—we endorse the proposition that the government should give some guarantee.

Q. Are you not a shipping organization, why do you not send cattle over there?—A. What do you mean.

Q. Is not your organization operating in connection with the export of cattle?—A. Yes, we do a service, exporting for members—getting space and doing necessary service.

Q. Have you never seriously considered sending your cattle to Russia?—A. On consignment.

Q. Any way you like?—A. We would not ship on consignment to them, but if a Russian came over here and gave us his money I would be tickled to ship him cattle; just as I would to anybody who could put up the price, whether he was a Russian or a Chinese, or anybody else.

*By Mr. Young:*

Q. You told us that you used to pay 90 cents to Montreal, and that you now pay \$1.14; you also told us that the railways used to be satisfied to take a trainload of from 12 to 15 cars and that now they want sixty?—A. I told you—let's get this straight—I said the rate was 90 cents at one time, and now we pay \$1.14—they did want \$1.48 and then there was a reduction, they brought it down to \$1.14½—and they said they could not go lower because they would be losing money. Then I said that in the early days, before the war—30 years ago—the railroad companies would be satisfied to give you a special train with



12 or 15 cars of cattle, but in those days they had light equipment, and their engines were of less horse-power. Now they have tremendously more horse-power and heavier cars, and they want a sixty-car train. They don't want all cattle—you can make up the balance of your train with dead freight, if you haven't got enough live stock. But my contention is that in the old days they could do it for 90 cents with a train of 12 or 15 cars, but to-day they want 60 cars, and they charge you \$1.14½.

Q. Has the fact that our railways have been building heavier roads and using larger engines and heavier cars—hauling larger loads—had the effect of increasing freight rates?—A. They just did it for one reason, to reduce the cost per ton haulage per mile.

Q. It has increased the cost, that has been the effect of efficiency in our railways?—A. That is what I cannot understand, with the haulage they have, they ought to be cut down these costs very greatly.

Q. Do you suppose it is the policy of the railway companies to discourage the shipment of cattle for export?—A. I don't know about that, I would not go that far.

Q. Did you say something about curtailing the production of cattle, would you limit the production of cattle in the West?—A. No, I don't just like to get on that point. Of course, it has a bearing on the volume of exportable agricultural products. When you talk about curtailing production, the condition of the country will itself automatically curtail the production of cattle. The range areas to-day will not probably take more than fifty-five per cent of the cattle they did thirty years ago. The farming population of western Canada are not in a position, and could not buy the rough cattle because they have not got the feeds to finish them.

Q. Do you think it desirable that more farmers should go into cattle raising?—A. I don't think so.

Q. There was a gentleman who came to me the other day and wanted me to support this wheat agreement, to curtail acreage in the west; his contention was that the western farmer should be encouraged to raise more cattle—you are not in favour of that?—A. I do not think that the population of this country will be able to take care of the surplus. Our first object is to take care of this surplus—our great difficulty is to find a market for these surplus cattle. About the worst thing that could be done would be to increase the export to the Old Country of the kind of cattle they don't want. There is a lot of our poorer cattle that have been worked off for sale as fox meat and by-products of all kinds, and probably by disposing of them in that way there would not be very much loss.

Q. You think then before the farmer is encouraged to go extensively into cattle raising, we ought to find markets for our cattle?—A. He had better give consideration to the market. But the really important thing to have in mind is that you cannot get into the cattle business in a year. It is a life job, after you have about 25 years in the business, working around cattle, you begin to know something about them.

The CHAIRMAN: I think that is all. I must thank you, Mr. Byers, for the very able way in which you have presented your case.

(The Witness was discharged.)

The CHAIRMAN: This morning there was some question about the distribution of cattle to the packers, and to the Live Stock exchanges. I asked one of my staff to try and compile a table which would set these forth, and I think he has it. I want to make this clear, this is not a set of figures which is prepared in this form regularly by either the Dominion Bureau of Statistics or the Department of Agriculture, it is a composite statement of information available from the two sources, and other sources in the Department of Trade and Commerce, which we have assembled in this form.

I will just ask Mr. A. E. Fortington to present this. Will you present this, Mr. Fortington?

Mr. FORTINGTON, called.

*By the Chairman:*

Q. What is the statement?—A. It is a statement compiled from all available sources of information.

*By Mr. Factor:*

Q. Who is this gentleman?

The CHAIRMAN: He is a member of the staff of the Department of Trade and Commerce, of the Markets' Intelligence Branch.

The WITNESS: This information is compiled from all sources known to us, as you have already indicated. It has been checked very carefully, and on the basis of hogs being the only graded type of live stock, the direct shipment of which are actually known, it has been found by checking that the hog figures of this branch are identical with those of the live stock branch; so we have no reason for assuming that the figures for cattle, calves and sheep should be otherwise than correct.

The CHAIRMAN: If the committee desires, we shall put the schedule in the evidence, and provide each member of the committee with a copy of it. I think you will find it useful.

Mr. ILSLEY: Can you state what proportion of the cattle are sold through the stockyards, and what proportion direct to the packing houses?

The CHAIRMAN: Yes.

Mr. ILSLEY: That is what we wanted.

WITNESS: The 1933 figures should be available this week.

The CHAIRMAN: You will supply these?

WITNESS: Yes.

The CHAIRMAN: Will you just answer Mr. Ilsley's question?

*By Mr. Ilsley:*

Q. What proportion of the cattle is sold direct to the packing plants and what proportion through the stockyards?—A. For each year?

Q. For last year.—A. 1927 to 1932? 1932, in the case of cattle, 8.96 per cent direct, 91.04 public markets, but that excludes the calves, which in 1932 were sold in the following proportions, 11.37 per cent direct, 88.63 public markets; sheep 80.41 per cent public markets, 19.59 per cent direct; hogs, 41.10 per cent public markets, 58.90 per cent direct.

Q. For the year 1932?—A. The ranches.

*By Mr. Senn:*

Q. Are you taking into consideration country killings in those percentages?—A. Country killings would not be included.

*By Mr. Ilsley:*

Q. What is the trend for the last five years?—A. In a beef cattle, direct shipments from 2 per cent to 10.

Q. 2 per cent to what?—A. 2.6 per cent in 1927 and 10.9 per cent in 1930, and up to the present figure of 8.96 per cent in 1932. The estimated increase on the preliminary figures for 1933, however, we expect will show a very substantial increase.

Q. That is the cattle figure?—A. Direct shipments. The forecast will show a very substantial increase. In the case of calves, the direct shipments from 1927 have increased from 9·4 per cent to a peak of 11·89 in 1930, and dropping slightly to 11·37.

Q. What are your preliminary figures for 1933?—A. A slight increase. The hogs have shown a slight downward trend from 1927, 60·8 per cent to the present 58.

The CHAIRMAN: You are speaking of direct shipments?

The WITNESS: Yes; the forecast for 1933 should be very very substantially higher. We prefer not to give percentages until we are sure of the accuracy of them.

Mr. PARRY: That is based on preliminary estimates?

The WITNESS: Based on preliminary estimates.

*By the Chairman:*

Q. What happened in 1923 to make those sudden changes develop?—

A. We have not revised those yet, 1,172,537 public markets, direct 2,032,881.

*By Mr. Young:*

Q. Something must have happened in 1933 to make that sudden increase in direct shipments?—A. Yes, interim observations for 1934 in all of them show an increase, particularly perhaps in the case of hogs.

Q. Can you explain?—A. Excepting so far as we have seen the picture, the organized efforts of men covering the country to establish direct contact with the farmers.

Q. The packers are going out for the business?—A. In certain zones, apparently so. The trend has been very very substantially higher. In 1927 it was 8·34 per cent, and in 1932 it has gone up to 19·59 per cent, and the forecast is substantially higher for 1933.

The CHAIRMAN: Will you make copies of that for each of the members of the committee and supply us with the 1933 figures as well? (Exhibit 74.)

The WITNESS: Yes.

The CHAIRMAN: Mr. Roblin wishes to file a statement. Gentlemen, that is all the evidence we have for to-day. Tuesday next we shall continue with this line. I am reminded that a witness from the Retail Merchants Association of Quebec will be hear on Tuesday.

Mr. FACTOR: We are sitting on Tuesday and Wednesday, and then we shall adjourn with parliament.

The CHAIRMAN: Yes.

Committee adjourned at 5.35 to meet again on Tuesday, March 27th at 11 a.m.



HOUSE OF COMMONS, ROOM 368,  
March 27, 1933.

The special committee appointed to inquire into price spreads and mass buying met at 11 o'clock, the Hon. H. H. Stevens, presiding.

The CHAIRMAN: Gentlemen, we have the ordinary minutes recording the names of witnesses who were heard and certain exhibits filed. Unless there are any comments we will declare the minutes approved. There are two or three letters here of not very serious moment which, I think, in the ordinary course might be referred to counsel for the committee for such attention as may be required. One refers to a certain linoleum and oilcloth manufacturing company allowing a special discount to department stores. It is one of the ordinary complaints. I think that can be dealt with by the ordinary investigating staff. Another is from the city of Calgary asking that the expansion of the investigation into the packing plants be carried to that city which, of course, we purpose doing in the investigation which is now going on by auditors and investigators. So we can just leave that with counsel as well. The third is a little more sweeping, perhaps; it asks for a complete investigation into the lumber industry. What I did was this: I answered this letter, acknowledged it, and I said:—

I would point out to you however, that individual searching investigation of the lumber and forestry industry of Canada would be an immense task, and as the committee has already in hand work which will more than keep it constantly occupied for the balance of this session, it seems to me to be a physical impossibility to undertake this work.

I question the advisability of the committee attempting an investigation of that kind in addition to what we are doing at the present.

Mr. BOULANGER: It means forestry?

The CHAIRMAN: It means everything. He says: "Be requested to investigate every phase of the Canadian lumber industry."

Mr. BOULANGER: It is a big order.

The CHAIRMAN: Of course, it is something that could not possibly be undertaken, I should judge; and I indicated, as I have read, that in my opinion it was so sweeping it would be impossible for us to do it. Perhaps we can leave that also with counsel for the committee.

The clerk has a memorandum from the Bureau of Statistics which will be circulated. It is entitled: Cross sectional comparison of commodity price index number and actual prices. (Memorandum filed, marked exhibit 75.)

This morning we were to hear Mr. Messier particularly. He is secretary of the Retail Merchants' Association, Quebec Section, and his evidence will complete the hearings as far as the Retail Merchants' Associations of the different provinces are concerned. I will ask Mr. Messier to come forward.

ROSARIO MESSIER, called and sworn.

J. H. TETREAUX, called and sworn.

*By Mr. Sommerville:*

Q. Mr. Messier, you are secretary of the Quebec division of the Retail Merchants' Association of Canada?—A. Yes.

Q. And as such on behalf of your association you have certain representations to make to this committee?—A. Exactly.

Q. As to the effect upon retail business of department and chain store practices in the province of Quebec?—A. Yes.

Q. Will you be good enough to let us have your statement that you have prepared for this purpose?—A. Yes. Perhaps I had better read what I have prepared. These figures are taken from the Dominion Bureau of Statistics, 1930. I represent the Retail Merchants' Association of Canada, Quebec Provincial Board, which comprises approximately 3,000 merchants, organized in some thirty-five districts or branch boards throughout the province.

When you invited me to appear before this honourable committee on behalf of the retailers of the province of Quebec, I must confess that I hesitated to accept, not because I had any doubt regarding the merits of our cause, but because I felt that within such a short period of time and having no special authority, it would be impossible for us to conduct an investigation and prepare a case which would be—as it should be—supported by authentic evidence. In numerous instances, we have not been able to obtain the factual evidence which, although undoubtedly true, was not communicated to us for apparent fear of ulterior unfair treatment.

However, in their desire to co-operate to the fullest extent with your committee, our officers thought that we should try to give you some idea of the effects of mass merchandising and unfair trading practices on the retailer, the community life and the consumer. Retailers of our provinces are alarmed over the growing tendency towards centralization of buying in the hands of a few large firms. In the province of Quebec in 1930 the total amount of retail sales of approximately \$675,000,000—the sales of order houses, department stores and chain stores were estimated at \$175,000,000.

*By Mr. Heaps:*

Q. Is that \$175,000,000 in addition to the \$675,000,000 or part of it? —A. Part of it. As follows: Department stores, \$75,000,000, chain stores, \$100,000,000. The amount of mail order business done by three firms was estimated at \$10,000,000. In 1926 there were 699 chain store units; in 1930 the number of units had gone up to 1,692.

*By Mr. Sommerville:*

Q. The increase was from 699 to— —A. 1,692 in four years.

Q. That is an increase of approximately 1,000 units in four years?—A. About 150 per cent.

Q. 150 per cent in the four years?—A. Yes.

Q. That is up to 1930?—A. That is up to 1930.

Q. Have they been increasing in numbers since that date—the units?—A. We have not got the figures.

*By Mr. Boulanger:*

Q. Might I ask you if some of these chain stores are not owned in Montreal? Is there a head office in Montreal for some of them?—A. I am under the impression that, at least, one or two of them have their head offices in Montreal—one in the grocery trade and one in the shoe business.

Q. And are there some of the mail order houses with head offices in Montreal?—A. One, I think. These figures show to what extent the retail trade is being centralized into the hands of a small group of firms and organizations. Now, let us consider how this centralization is being accomplished. A few examples of the trading practices of the monopolizing organizations will

serve to indicate the direction in which an explanation can be found. The following letter received at our office from one of the oldest and best reputed firms in the fur trade of Montreal tells the story of an unfair practice:

MONTREAL, March 6, 1934.

Mr. R. MESSIER,  
Secretary,  
The Retail Merchants' Association of Canada,  
Montreal Section.

DEAR SIR:—I am reliably informed that one of the big departmental stores has bought last fall several thousand muffs at \$1.35 while the lowest wholesale price known was \$1.75. To make such a muff costs the price of a bedding the lowest being 65 cents plus one skin say of "near seal" the cheapest being 0.60 to 0.65 cents, leaving 0.10 cents for labour.

Please note that a large number of these muffs were made with the higher price merchandise and were therefore sold under cost of material, not taking into account labour. . . .

*By Mr. Young:*

Q. Where did you get those costs of material?—A. This is a letter from one of the oldest furriers—a furrier that has been in business and manufacturing for forty years. That is his letter.

Q. He does not state where he gets his costs?—A. No. These are figures that you can certainly get very easily.

. . . . There is no doubt that the firm buying such merchandise knew very well that it was below the cost.

We will be pleased to give names and more information if the government decides to name anyone with power to investigate this specific case and others.

Your truly,

NORMANDIN, TURCOTTE, LIMITED,  
Per R. NORMANDIN, *Secretary*.

Another unfair practice is illustrated by the following extract from a letter received from one of our members in west Shefford—

*By Mr. Heaps:*

Q. What do you mean by unfair practices; unfair for people to buy at or unfair for the manufacturer to sell at?—A. He probably means, unfair to the trade, and unfair to the industry in general.

*By Mr. Factor:*

Q. Unfair to the retailer who has to sell it at a higher price?—A. Well, not necessarily. He says, for instance, that the price paid for the merchandise did not leave more than 10 cents for labour.

Mr. HEAPS: In that case were the people who were making the muffs receiving the fair wage according to the minimum wage law of the province of Quebec?

Mr. EDWARDS: Is there a minimum wage law? Just female.

Mr. HEAPS: According to law, I said.



The WITNESS: I could not investigate the whole case, but I was informed yesterday that the firm that had supplied these muffs last fall has gone into liquidation since that time.

*By Mr. Edwards:*

Q. Quite a common complaint, is it not?—A. Well, that would show that when they did not get a fair price for their merchandise they either had not paid their labour or they do not pay the supply houses.

*By Mr. Kennedy (Winnipeg):*

Q. Do you find that they sometimes put on special sales leading up to liquidation or preparing for liquidation; did you ever run across that practice in Montreal?—A. We have heard plenty about such a practice.

*By Mr. Edwards:*

Q. And then they open again in somebody else's name. That is quite common too, is it not?—A. Yes. Now, according to this letter received from a merchant in west Shefford:

I see in the catalogue of the T. Eaton Company in Toronto, a dress made of good printed calico, bust 34-44, at 49 cents with an order of \$5.

*By Mr. Young:*

Q. That is 49 cents with an order of \$5; it is a bonus?—A. Evidently a bonus or inducement. This is evidently a case of loss leader done with the intention of creating among the public the opinion that they are selling at extraordinary low prices.

*By the Chairman:*

Q. You have not got the ad there with you?—A. No.

Q. Do they give the date of the ad?—A. It says in the catalogue—

Q. It is a catalogue?—A. Yes. That can be found very easily in the catalogue.

Q. All right?—A. "At that price no merchant can buy the same material by the yard from his manufacturer."

From St. Hyacinthe, a few days ago I received a circular of the J. B. Lefebvre, Limited, who operate a branch of their chain store there, together with a few remarks pointing out the unfairness of some parts of the circular. For instance, there are rubber boots advertised, regular value \$3, price for that sale \$1.49. The explanation that I had is to the effect that either the merchandise illustrated is not properly illustrated—they mean either they show there a lady's boot instead of a man's boot—in that case the price would be right, but the illustration would not be right. If they really mean that this is a man's rubber boot, the lowest cost price will be \$1.90 wholesale.

The CHAIRMAN: The illustration shows a man's boot, does it?

Mr. TETREAU: It shows mens' and boys'. If it is a man's rubber boot it costs \$1.90 wholesale. Now, I am buying that line myself. I retail it at \$2.30. It is not \$3. They say it has a value of \$3 for \$1.49. I am buying that line at \$1.90 and I am retailing it for \$2.30.

Mr. SOMMERVILLE: Your spread is 40 cents?

Mr. TETREAU: Yes, if it is a man's boot it costs \$1.70 and it is advertised at \$1.49. Supposing he has got the regular discount of the favoured fellows from the boot companies, the most discount he could get is 14 per cent. It would not leave a profit reasonable for anybody in competition.

Mr. SOMMERVILLE: If he had a discount of 14 per cent over the \$1.70; that is the wholesale price?

Mr. TETREAU: Yes.

Mr. SOMMERVILLE: He still would not have—

Mr. TETREAU: A reasonable profit.

Mr. SOMMERVILLE: No profit?

Mr. TETREAU: Yes, no profit.

Mr. SOMMERVILLE: And that is what you call a loss leader?

Mr. TETREAU: That is what I call a loss leader.

Mr. FACTOR: Did you see the actual rubber boot that was sold?

Mr. TETREAU: No. I am going through the advertising and mens' and boys' rubber boots are there. The rubber is not like the shoes, it is a standard. If they sell a black rubber boot, every factory will have the same line priced at the same price.

Mr. YOUNG: And the same quality?

Mr. TETREAU: They are supposed to be the same quality, because they never put another line which is not accepted—

Mr. YOUNG: You say there is an arrangement between the factories?

Mr. TETREAU: There are some factories that may have a last that will fit a little better than another one, if you prefer to buy from this company on account of that.

Mr. YOUNG: You said all factories would charge the same price.

Mr. TETREAU: Yes, charge the same price. It is all listed.

Mr. YOUNG: They have an arrangement?

Mr. TETREAU: Yes, they have an arrangement. They have all the same price.

Mr. YOUNG: How did they bring about that arrangement?

Mr. EDWARDS: I do not think the witness would know that.

Mr. BARIBEAU: Have you knowledge that a group of retailers were organized in the province of Quebec some time ago for co-operative purposes, especially in the rubber business?

Mr. TETREAU: They have tried that and never succeeded.

Mr. ILSLEY: And could they get a sufficient discount?

Mr. TETREAU: No, they are against a group. We cannot make a group of five or six fellows and go there and buy big quantities.

Mr. SOMMERVILLE: The rubber manufacturers will not agree to sell to a group?

Mr. TETREAU: No.

Mr. SOMMERVILLE: Even though you were organized as a group and offered to buy large quantities, they would not sell to you on quantity prices.

Mr. TETREAU: No.

Mr. SOMMERVILLE: They would insist on you taking the goods at the ordinary retail price?

Mr. TETREAU: Yes.

Mr. BARIBEAU: But they organized just the same?

Mr. TETREAU: The manufacturers are organized, but the retailers, are not.

Mr. BARIBEAU: They tried.

Mr. TETREAU: They have tried but never succeeded.

Mr. SOMMERVILLE: They never succeeded in this respect: they never succeeded in getting the manufacturers to give them the larger discount for larger buyers?

Mr. TETREAU: Yes.

Mr. SOMMERVILLE: That is what you mean, is it not?

Mr. TETREAU: Yes.

Mr. YOUNG: You say there is a combine among the manufacturers and that combine controls prices?

Mr. TETREAU: Well, it looks like a combine.

Mr. EDWARDS: I submit that no witness can answer that question.

Mr. YOUNG: If he cannot answer, he cannot.

Mr. EDWARDS: He does not know.

Mr. TETREAU: They are putting out a price list for every season, and they are all the same price.

Mr. SOMMERVILLE: And you can draw your own deductions?

Mr. TETREAU: Yes.

Mr. SOMMERVILLE: That is as far as you can go?

Mr. TETREAU: Yes.

Mr. FACTOR: I think we have been given enough evidence on the rubber combine.

The CHAIRMAN: You had better use "rubber association" that is what it is; but the point I understand the witness is making is that certain retail distributors can get more advantageous discounts than the ordinary retailers are granted.

Mr. TETREAU: Yes.

The CHAIRMAN: And you as a retailer cannot get a discount that would enable you to meet that price?

Mr. TETREAU: Yes. It is impossible.

Mr. EDWARDS: It is again the secret discount.

The CHAIRMAN: Yes.

Mr. SOMMERVILLE: And that firm which is putting out the advertisement you are now referring to is one of those firms that is in the most favoured class—getting the same discounts as the large departmental stores?

Mr. TETREAU: Yes. I cannot say that they get exactly the same discount, but I know they have.

Mr. SOMMERVILLE: There is a list showing who were the firms, and I understood that this firm was on that list?

Mr. TETREAU: Yes.

The CHAIRMAN: We will have the association representatives here later and Mr. Young can then delve into the combine feature.

Mr. EDWARDS: Yes. That is the time to do it.

The CHAIRMAN: Go on Mr. Messier.

The WITNESS: There is another example of a loss leader in that same circular—

Mr. TETREAU: There is a woman's slipper that cannot be made or bought less than 22 or 23 cents and it is advertised at 19 cents. I am on the market for buying, and I have never found a slipper for several years to buy at that price.

Mr. FACTOR: It cannot be bought by the retailer?

Mr. TETREAU: I do not think it can be bought by the retailer at that price.

Mr. SOMMERVILLE: You say that is an evidence of a loss leader?

Mr. TETREAU: We cannot say anything else, because they are losing money on that. I am pretty sure.

Mr. SOMMERVILLE: Is there any other item on that same circular.



Mr. TETREAU: There are some lines of rubbers that we cannot discuss very much because they are imported goods.

The CHAIRMAN: Japanese and Singapore?

Mr. TETREAU: They may be Singapore or Japanese, and I think it is Singapore. It is pretty hard to discuss prices of these because I do not know really the list price of these shoes.

Mr. EDWARDS: How does the Singapore rubber compare with the price of equal quality Canadian rubbers?

Mr. TETREAU: Well, they are not the same quality.

Mr. EDWARDS: No. I know they are not; but how do they compare?

Mr. TETREAU: They compare cheaper, but I do not know what profit the importers are taking.

Mr. HEAPS: How much difference is there in the price?

Mr. TETREAU: Well, some lines we can buy cheap enough, and some others the difference is not very extravagant. There are a few cents just to let the people think they are cheaper.

Mr. HEAPS: The quality is not as good as Canadian rubbers?

Mr. TETREAU: I do not know for the wearing, but we have more confidence in the Canadian goods than Singapore goods.

Mr. YOUNG: Is there a great increase in imports of rubbers from Singapore?

Mr. TETREAU: I think so.

Mr. YOUNG: Has there been a corresponding decrease in imports from Japan?

Mr. TETREAU: I could not tell.

(Circular filed, marked exhibit 76.)

(Advertisement, *Montreal Daily Star*, Friday November 3, filed, marked exhibit 77.)

(Advertisement, *Montreal Daily Star*, Friday October 20, 1933, filed, marked exhibit 78.)

*By Mr. Sommerville:*

Q. What have you to say with reference to these two advertisements; they are apparently the same articles?—A. I would say with regard to these advertisements the remarks I had from a prominent gentleman's furnisher.

Q. This exhibit No. 78 reads, "Tremendous sale of 400 winter overcoats, fleeces, Carr Elysians, velours, tweeds and chevots at dollars less than usual as well as 40 genuine Sedan Montagnacs ordinarily \$69.50 and 40 genuine Isaac Carr's Elysians, ordinarily \$45, on sale for \$25." That is one of the advertisements. You are dealing with both?—A. Yes.

*By Mr. Factor:*

Q. What is wrong with that?

*By Mr. Ilsley:*

Q. Too cheap?—A. No, I don't say they are too cheap. Here is what one of the prominent gentleman's furnishers says:

That was distinctly unfair and it set a standard of retail prices to the public. In these advertisements, the Sedan Montagnac label and the Carr's Elysian label were prominently displayed and used as a bait to draw the public. The lowest price at which a Sedan Montagnac machine-made, can be tailored is \$57.50. The lowest price at which a Carr's

Elysian, machine-made, can be tailored is \$43.50. Assuming that as stated in the advertisement, 10 per cent of the lot were Montagnac's and 15 per cent were Carr's Elysian, the gross results on the sale of 100 overcoats would be a loss of \$2,410.

*By Mr. Sommerville:*

Q. On 400 hundred overcoats?—A. On 100 overcoats based on Montagnac and Carr's Elysian.

Q. On 25 per cent of 400, the gross loss would be \$2,410?—A. Yes. The loss would be compensated, I understand by the sale of the 300 other overcoats, the cost of which according, to the information we have, would be \$11.90.

Q. The other 300 overcoats in this sale cost \$11.90?—A. \$11.90.

Q. So that on these other 300 overcoats, the profit would be \$13.10?—A. Yes.

Q. And that would more than compensate for the loss on the 25 per cent of Montagnacs and Carr's Elysian?—A. That would be a gross profit of over 100 per cent on the cost price or over 50 per cent on the selling price.

Mr. FACTOR: Does the advertisement say 25 per cent Montagnacs?

Mr. SOMMERVILLE: Yes. "25 per cent of these coats are genuine French Sedan Montagnacs, ordinarily \$69.50 or genuine Isaac Carr's Elysians, ordinarily \$45."

*By Mr. Heaps:*

Q. Were these coats made in Montreal?—A. I was told so.

Q. Have you any idea of the conditions under which they were made?—A. No. That could be found out.

*By Mr. Factor:*

Q. In other words, this advertised price allowed a profit on the cheaper coats?—A. It made an overcharge, in effect, on the cheaper overcoats.

Mr. ILSLEY: That advertisement was not true, was it, because it says they are all that kind; does it not read that way?

The CHAIRMAN: No, 25 per cent.

Mr. ILSLEY: Does it not say that they were all exceptional bargains and sold at less than the usual cost?

Mr. SOMMERVILLE: It reads: "25 per cent of these coats are genuine French Sedan Montagnacs ordinarily \$69.50 or genuine Isaac Carr's Elysians ordinarily \$45, and every coat in the balance of 300 is exceptional value at this price."

Mr. ILSLEY: Yes; and the other one goes a little further.

Mr. SOMMERVILLE: Yes, "Fleeces, bar Elysians, velours, tweeds and cheviots at dollars less than usual."

Mr. ILSLEY: Yes.

Mr. SOMMERVILLE: It says: "Imagine getting the pick of fine Raceview fleece, velours, tweeds, cheviots, Montagnacs and Elysians—faultlessly tailored by one of Canada's best coat makers—for only \$25! Surely an opportunity that calls for decisive action."

*By Mr. Sommerville:*

Q. What you say is that the effect of them was to demoralize the clothing prices in the fall and winter of 1933?—A. Exactly.

Q. And that they were misleading and unfair to the retail merchants of Montreal?—A. Yes.

*By Mr. Young:*

Q. You say it is a false statement, that these coats were selling for more than their usual value instead of less; is that your statement?—A. No. On a certain proportion of the lot the retail price was much lower than the ordinary price. In fact, it was lower than the cost price. But on the other 300 coats, the margin of profit would seem to be too high.

*By Mr. Ilsley:*

Q. Does the ordinary buyer not understand that when he sees a sale such as that advertised, that he has got to be careful and pick out the bargains or he will get stung; that if he takes the others he is going to get badly stung? Has the public not got educated to that by this time?—A. I think you will find very few experts among the consumers.

*By the Chairman:*

Q. That is what you would like to do, assist to educate them?—A. Yes.

Mr. FACTOR: At the top of this advertisement, it says that one of the principles of this firm's advertising is scrupulous and rigid adherence to fact.

Mr. SOMMERVILLE: It is interesting to know about this.

The CHAIRMAN: We will check these two ads carefully as to this scrupulous adherence to fact.

Mr. YOUNG: In order to check that, you would have to get one of those coats which Mr. Messier says were sold for more than their usual price.

The CHAIRMAN: We will check it; we will have no difficulty in checking it.

*By Mr. Heaps:*

Q. Does Mr. Messier know the name of the people who made those cheaper coats?—A. I think I could supply the name.

Mr. HEAPS: I think that would perhaps be necessary.

Mr. SOMMERVILLE: I understand that Mr. Messier will supply the name to the investigator.

The WITNESS: Yes, or privately to the Chairman; because I would hesitate to give it publicly.

The CHAIRMAN: You give it to the counsel of the committee. In any case, we can check it.

Mr. FACTOR: And also ascertain the labour conditions.

Mr. SOMMERVILLE: That would be desirable.

The WITNESS: Here is another instance of the loss leader: In 1932, in order to attract the buying public to their shop, a chain store company of Montreal undertook to sell milk at cost. Apparently the milk was purchased at a very special price and in huge quantity from a local dairy firm. In a short time, the whole trade from the farmer to the retail distributor was disorganized.

*By Mr. Young:*

Q. What do you mean by disorganized?—A. Well, there was a price war going on.

*By Mr. Sommerville:*

Q. You say there was a price war going on?—A. Yes.

Q. What was the effect of the price war, that was thus started, on the producer of milk?—A. The price war had such a bad effect on the producer



that the Quebec government was forced to step in and set up a board empowered to control price levels, relations between producers and distributors, et cetera. In fact, I would like to file a copy of the bill which is going through the Quebec provincial legislature on this matter. (Exhibit No. 79.)

*By Mr. Young:*

Q. Where you have disorganized anything, you must first organize. Was there an organization before this?—A. No doubt when you want to make a war, you have to organize for the war.

Q. You say that as a result of this selling of milk at cost, the trade was disorganized. Therefore the trade must have been organized prior to that. Can you tell us anything about this organization?—A. No; but what I mean is this: In the ordinary course of business the farmer gets a certain price for his milk, and even though all the dairies do not retail milk at exactly the same price, they generally maintain a reasonable price, without having any definite agreement as to the retail price. But when one of the distributors come out with the retail price say two cents lower than the average, and he particularly advertises this price, you can immediately imagine what kind of reaction it has on the whole trade. All those who are in the same line of business, if they want to retain their proportion of the business or a fair proportion of the business, have to follow the march.

Q. And that matter is being dealt with by the provincial legislature?—A. At the present time.

*By Mr. Somerville:*

Q. As a result of what happened in 1932, was there not some measure or control bill introduced into the legislature of Quebec in 1933?—A. Yes. I understand that during the winter session of 1933 some measures were adopted, which can easily be had through the statutes of the province, with the object of preventing this practice of loss leaders.

Q. In milk?—A. In milk. Apparently the control was not good enough, because some of those who were maintaining cut prices in milk refused to fall in line until such time, they said, as there would be a law that would actually force them to maintain prices.

*By Mr. Young:*

Q. What reason did they assign for that? Did they say why they would not fall into line?—A. Because they would not feel reasonably protected against the possibility of some others cutting prices.

*By Mr. Boulanger:*

Q. A commission was organized by the Quebec government, and the commission tried to have producers and consumers work voluntarily?—A. Yes.

Q. And that did not work?—A. No.

Q. And now a bill has been introduced in the house to establish some sort of compulsory state of things?—A. Yes.

*By the Chairman:*

Q. But this abuse has been prevalent over some period of years, using milk as a loss leader; that is your contention?—A. Yes, but I understand that it became particularly bad in 1932.

*By Mr. Somerville:*

Q. And the reason that the voluntary system did not work, I understand, is because certain chains refused to co-operate?—A. Exactly; one in particular.

Q. All right, will you continue, Mr. Messier?—A. Yes. Here is another instance of deceiving selling methods. I will quote from a letter received from one of our members in St. Jerome. Here is what he writes, that a chain store advertised fine, big bananas, valued at 30 cents a dozen, for 19 cents. At the bottom of the card advertising these bananas we notice written in small type, "For to-day only."

*By Mr. Young:*

Q. Does it say what day of the week?—A. "For to-day only."

*By Mr. Sommerville:*

Q. That is rather good, for to-day only?—A. The card is placed in the window just at the time the store is closed and it is left there until the next morning. To all appearances this is being done in order to give the public the impression that the company is selling at a much lower price than any other merchants in town.

*By Mr. Young:*

Q. It is not a loss leader, then?—A. But since the advertisement is placed in the window just before closing the store and is removed the next morning, it becomes an unfair method of competition, because it is evident that the company has no intention of selling the goods at the advertised price but is merely using the advertisement to create a false impression among the public.

*By Mr. Sommerville:*

Q. Have you found that that occurs on Saturday closing, and that advertisements remain there over Sunday, using the Sabbath for advertising?—A. We have reports indicating that it happens on Saturday in St. Jerome; the same practice was found happening on Saturday, too, in Verdun, which is a suburb of Montreal; and it also happened on other week days. Some display cards were even displayed on Monday night, we will say, with the mention "for Monday only."

*By Mr. Young:*

Q. Was this a chain store that did this?—A. Yes.

*By Mr. Sommerville:*

Q. Will you give the name of the chain?

*By Mr. Young:*

Q. They were not cutting prices, were they?—A. I will give the name of the chain store. No, they were not cutting prices.

*By the Chairman:*

Q. It is a case where they had their cake and ate it?—A. They were not cutting prices.

*By Mr. Factor:*

Q. A banana split?—A. Nobody could say that the public had much advantage from those low prices.

*By Mr. Sommerville:*

Q. But you say it is unfair competition?—A. Yes.

Q. It is an unfair advantage?—A. Yes.

Q. An unfair practice?—A. An unfair practice, because consumers will think that this is a very special price, and they will expect their local grocer to sell at that price, and they will be surprised to see that their local grocer is charging a different price, is charging a higher price.

*By Mr. Factor:*

Q. Do you know of any case where an actual customer went into the chain store and tried to buy bananas at the reduced price?

Mr. SOMMERVILLE: He could not break in very well.

*By Mr. Boulanger:*

Q. Do you think if they have been fooled in that way, the public would go back again to that store?

Mr. SOMMERVILLE: They don't go; where they are being fooled is they see it at night.

*By Mr. Sommerville:*

Q. They see it at night and say, "See what we have missed to-day"?—A. Exactly.

Mr. YOUNG: Do other retailers ever do that?

*By Mr. Sommerville:*

Q. How is that being met by some of the other retailers?—A. Well, one of the local grocers in Verdun admitted last week that, to meet that kind of competition, he had to do the very same thing.

Mr. FACTOR: We can never hope to legislate against dishonesty.

*By Mr. Sommerville:*

Q. All right, will you continue, Mr. Messier?—A. Another unfair practice is concerned with the sale of certain articles. We have found cases, particular cases of that kind, of the sale of certain articles manufactured by a well-known firm, where the articles were prepared in sizes of packages smaller than the regular size generally sold on the market.

*By the Chairman:*

Q. Before you leave that, have you any illustrations of that?—A. No, I don't have any illustrations.

Q. That is, of these different sizes?—A. Although I can have twenty witnesses to corroborate that statement, because an inquiry was conducted into that.

Q. It would be of more use to us to have the facts; never mind the witnesses for the moment. I would like you, if you have not the evidence at your hand to-day, to supply counsel with instances.—A. The names?

Q. And the names of the firms and the articles involved.—A. Yes.

Q. Because that, I think, is a very pernicious practice and we would like to follow it through, but we cannot follow it through if we do not get assistance in following the illustration.—A. I have the name of the company, and I have all the particulars of the case.

Q. Give them to Mr. Sommerville, will you?—A. Yes.

*By Mr. Factor:*

Q. Standard brand articles?—A. Well, the case in question was in regard to a bar of soap.



*By Mr. Sommerville:*

Q. In regard to a bar of soap that is well known?—A. Yes.

*By Mr. Factor:*

Q. Was it smaller?—A. About ten per cent smaller.

The CHAIRMAN: We have quite a number of them, Mr. Factor.

*By Mr. Sommerville:*

Q. Will you continue, Mr. Messier?—A. Montreal dealers in electric washers had a sad experience.

Q. Electric washers, did you say?—A. Yes, with the firm that manufactured the "Apex" electric washer, a washer that is sold by the retailer at \$79.50 retail in the retail stores, and the dealers had to charge that price if they wanted to keep their agency.

Mr. YOUNG: A fixed price.

*By Mr. Sommerville:*

Q. It is a maintained price?—A. A maintained price. In the month of October, according to the statement given to us by our washer dealers, after the dealers had signed heavy orders for washers with the understanding that the manufacturers would protect them against cut price competition, one of the most important department stores had a special electric washer manufactured by the same firm under the name of the "Take Away."

Q. The "Take Away"?—A. Yes, the "Take Away," that is the name of the washer.

Q. It should have been "give away"?—A. In all particulars except one or two of minor importance, both washers were indentially the same. The "Take Away" was sold at \$57.50, that is \$22 less than the other.

*By Mr. Young:*

Q. What would your association do to that manufacturer?—A. The dealers naturally complained about this treatment from their manufacturer; and after discussing the whole situation with him, they were offered the privilege of buying the cheaper machine, but on condition that they purchase a minimum lot of ten washers of the same brand at the same price. It was evident that the average retailer could not carry in stock ten such washers if he wished to have a proper range of styles and prices.

*By Mr. Edwards:*

Q. Mr. Messier, were those sold under the same terms; I mean time payments, so much down; on the instalment plan or sold on a cash basis? Were the sales similar in both instances?—A. I could not say that.

*By Mr. Heaps:*

Q. Do you know anything about the labour conditions under which those washing machines were made?—A. No. I didn't make any investigation on that point.

Q. Do you know if the wages which the men and women working there for the manufacturer of those washing machines were the same for the "Take Away" washer as they were for the "Apex" washer?—A. No, sir.

*By Mr. Boulanger:*

Q. Where are they made?—A. Robert Mitchell Limited.

Q. Montreal?—A. Yes. Here is another instance of unfair competition.

*By Mr. Factor:*

Q. To which the manufacturer was quite a willing party, apparently?—  
A. Apparently, yes. One of the big department stores which does not sell cut flowers as a regular line, would sell flowers three or four times in a year, occasionally. On March 12, 1934—

*By Mr. Sommerville:*

Q. That is this month?—A. Yes—they advertised in the local papers certain flowers at ridiculously low prices as compared with those charged by reputable florists for the same products. For instance, we have tulips advertised at 59 cents, whereas the regular price would be 75 cents per dozen to a dealer and the wholesale price of these would be \$4 or \$5 or \$6 per hundred.

Mr. HEAPS: Might I point out here that the government are selling this week from the Customs department a very large quantity of tulips, unclaimed.

Mr. SOMMERVILLE: Bulbs.

Mr. HEAPS: I don't know whether they are going to depress the market.

Mr. SOMMERVILLE: Those must be bulbs, unclaimed bulbs.

Mr. HEAPS: Dutch bulbs.

The CHAIRMAN: They go by auction, so everybody gets a chance.

Mr. HEAPS: It depresses the market though.

The WITNESS: The claim of the florist on that point is this, that they keep a certain stock of cut flowers for the regular trade, with a reasonable margin of profit; and occasionally a firm like this which does not keep flowers regularly will come out on the market with a certain lot of flowers that they have bought—I don't know under what conditions—but which they put on the market apparently at cost price. This means that the florists, for that particular week, evidently will either lose their merchandise or have to operate at a tremendous loss.

*By Mr. Sommerville:*

Q. Or else go back at the producer and make him take less for his product?—A. Yes.

Q. In other words, your complaint in this respect is that the large store comes in occasionally and sells at these cut prices and disrupts the flower business?—A. Exactly.

Q. Both to the retailer and the producer?—A. Yes.

*By Mr. Young:*

Q. Have you any idea where they get their supplies?—A. No; but that also can be had by investigators.

*By Mr. Factor:*

Q. Apparently the only persons that get the benefit of the reduced prices are the people that buy; is that right, Mr. Messier?—A. Well, it is not even so sure, because we are not sure that these concerns are qualified to keep the goods in the proper condition.

*By the Chairman:*

Q. There is a little more to this. Apparently it is a complaint from the Florists' Telegraph Delivery Association, is it?—A. Yes.

Q. This association maintains a service to the public whereby they will telegraph, at the request of a customer, to deliver flowers in almost any part of Canada?—A. Not only service to the local public, but service to the public almost anywhere.

Q. Anywhere; which is, of course, a very highly organized service?—A. Exactly.

Q. Then the point which I understand that you are making is that here is a department store that does not normally handle cut flowers at all, which suddenly comes out with an advertisement which is obviously very much below the current market, and this destroys the market to the members of this association who have erected a rather complicated service for the public?—A. That is what the florists claim.

*By Mr. Factor:*

Q. What is the retail mark-up on flowers and bulbs, do you know?—A. I am not prepared to go into details in this matter, because I am not familiar with it.

The CHAIRMAN: This letter will go in as Exhibit No. 80.

(Letter from the Florists' Telegraph Delivery Association, with attached clipping, filed, marked Exhibit 80.)

*By Mr. Factor:*

Q. You don't know what he marks up a dozen bulbs at?—A. No.

The CHAIRMAN: Of course, with a highly perishable article like that, it is difficult to say what it is.

*By Mr. Heaps:*

Q. Is it not a common practice just before the Easter holidays for ordinary grocery stores to handle flowers and plants and so on?

Mr. SOMMERVILLE: Yes, not as loss leaders, not at cost; that is the complaint.

Mr. HEAPS: We don't know; he has not told us anything about that.

Mr. SOMMERVILLE: That is what he is complaining about.

Mr. HEAPS: He does not tell us the prices he bought at.

The WITNESS: The complaint is that these flowers are sold at prices that are below the market prices, the market level.

*By Mr. Heaps:*

Q. You don't know whether they are selling at a loss or a profit?—A. Well, according to the report from our florists, if they pay to the producers the regular price for the flowers they are apparently selling the flowers at a loss. If they are making a profit, it is because they have paid a lower price to the producers.

Q. But you have no knowledge of what they paid for the goods?—A. No, I don't have an actual statement.

*By Mr. Edwards:*

Q. Whether they are firsts or seconds, long stems or short stems or anything like that, you don't know?—A. I don't know. I am not an expert in flowers.

*By Mr. Young:*

Q. If there are more flowers bloom than can be handled through the regular channel and someone comes in and says, "I will sell these things at a lower price in order to bring new buyers into the market," do you see anything wrong with that?—A. If there was overproduction, Mr. Young, I figure that the market price would be reduced accordingly, the general market price.



Q. These people seem to be reducing the market price?—A. Well, they seem to be using flowers as a bait to attract the public, that is all.

Q. Flowers are things that people buy only when they can afford them. Everybody would buy them if they could. Very few people buy them because the price is out of their reach, but at Easter or sometime when they see flowers in the stores at half-price, it will tempt a great many people to buy who would not otherwise buy. Would that not increase your market.—A. Well, say I am in business as a grocer, and want to advertise a special line of goods; suppose I go out in the country and get a certain quantity of cream from the farmers on certain farms, direct from the farms, at a very low price, and then I put it on the market at cost. Apparently the public would have the benefit of the cream at a low price, but it will react on the whole market because it will mean that the competitors will drop their price, and that will go back to the producers, and work for a lower price to all.

Q. Just a minute, there must be thousands of people in Montreal who never think of going into the florist's shop, but they do go into these large stores, and if they see these flowers there on the table they will buy some of them; in doing so they lift these flowers off the market—hence there is less competition and less necessity for the regular dealers cutting their prices or destroying their stock?—A. I can make inquiry and find out about that for you.

*By Mr. Sommerville:*

Q. In a word, the wholesale price at the time you have given here in this letter, this wholesale price did not lag—there was no drag on the market?—A. We have taken it for granted that the wholesale price of these commodities is governed by the supply.

*By Mr. Young:*

Q. The question I asked was, would not the fact that these people were selling flowers to these particular people who did not ordinarily buy flowers, would not that avoid a break in the market among the regular dealers?—A. That is a question of opinion, it is a little difficult to answer.

*By Mr. Sommerville:*

Q. All right, Mr. Messier, what is your next point please?—A. The next thing would be the wages, hours of labour, etc of chain store employees and managers.

Q. Wages and conditions of labour for employees and managers of chain stores?—A. Employees, clerks and managers.

Q. What have you to say in reference to that?—A. A special committee of our association has been appointed to inquire into this matter. Of course, that investigation is far from being complete, because we had no special authority to accept statements under oath; but ten or twelve store managers and ex-managers, of two or three of the different chain-store organizations have already appeared before our committee. The following form of contract is an exhibit that has been submitted by one of these witnesses.

Q. That is, some ten or twelve managers of chain stores appeared before your committee and gave your committee certain information with regard to wage practices and conditions of labour?—A. With regard to wage practices and conditions of labour.

Q. And among other things they have handed to you is a copy of a contract they are supposed to sign?—A. A copy of a contract form. It might be of interest to the committee to hear the conditions of this contract:

THRIFT STORES LIMITED,  
465 Wellington St.,  
Montreal.

DEAR SIRs,—In consideration of my being employed by you as Manager of one or any of your Branch Stores, I hereby agree to the following terms and conditions:—

1. I shall receive a weekly salary of \$20. The company will pay me a bonus of  $\frac{3}{4}$  of 1 per cent on all sales, providing that my stock taking is not short and that I have carried out all the Company's instructions.

Q. Just stopping at that point?—A. In other words, if he made a mistake, or forgot to carry out one of the instructions of the company, he would not get any commission.

Q. If he was short at the end of the week on the inventory, he would not get the  $\frac{3}{4}$  of 1 per cent commission?—A. That would be deducted from his commission.

Q. What did you find from the report of the store managers who were before your committee as to the actual payment of that  $\frac{3}{4}$  of 1 per cent—was it paid, or did they just get the \$20?—A. Very very few of them are getting more than \$20.

Q. Very few?—A. Many of them have to pay charges out of their \$20.

*By Mr. Young:*

Q. You did not read that in the contract?—A. No, I will finish.

Mr. FACTOR: It is an old Spanish custom.

*By Mr. Sommerville:*

Q. Yes, it is an old Spanish custom; will you proceed, please?—A. The contract continues:

2. I shall be personally responsible to you for all merchandise and cash at any time contained in the store I may be placed in charge of, as well as for all shortages whether of cash or merchandise, as may be established by you after each stock-taking (Fire, Burglary, or Hold up, however, excepted); and I undertake to pay for same or execute such agreements, documents on a simple demand by you, and you may furthermore deduct the whole or such portion of said amounts as you may see fit from the commissions which are due, or which may become due to me.
3. I agree to accept your stock-taking of merchandise and moneys as established by you and as same may appear on your books as final; your books shall however, be available for my inspection and verification at your Head Office during ordinary business hours.
4. I agree, at any time upon a simple demand by you, to hand over to you all the documents, records and keys pertaining to the store(s) in which I may be stationed, and furthermore to check and make an inventory with your Company of all the goods, merchandise, moneys, fixtures and utensils in and about the said store(s).
5. The term of my employment may be terminated by you at any time without notice and I hereby expressly waive all or any

claims in damages which I may have against you, as and arising from my said dismissal from your employment.

Yours truly,

Witnessed.

Name,  
Age,  
Address.

Dated.

Q. That is the contract signed by the manager?—A. Yes. Now, the points on which they were all unanimous could be summarized as follows:

*By Mr. Boulanger:*

Q. Nothing is said in the contract about working hours; do you know anything about that?—A. I was just going to make a suggestion to your committee.

*By Mr. Sommerville:*

Q. You will speak of that later?—A. Yes—my suggestion would be, that in order to get the complete story of the conditions of labour and the responsibilities that these men have, and the practices to which they claim they have to resort to make both ends meet, I would suggest that your committee hear a certain number of these employees—or former employees—of the chain stores, so as to get the stories directly from them. I could give you the names.

The CHAIRMAN: Give us the names of a number of these?

*By Mr. Sommerville:*

Q. You say these employees tell you that in order to comply with the terms of their contract and not show a loss, they must resort to certain practices?—A. Yes.

Q. And that these practices are resorted to in the respective stores?—A. To the detriment of the public.

Q. By reason of the terms of that contract?—A. By reason of the terms of the contract—either of the company, or those who are in charge of these stores, the general superintendent and general manager.

*By the Chairman:*

Q. Do any of the ordinary retail establishments make demands upon their employees similar to those set forth in that contract?—A. I do not know of any.

*By Mr. Heaps:*

Q. Have you made any investigation as to the conditions of the ordinary retail stores, of which you are secretary?—A. Yes, I have to a certain extent.

Q. How do the wages and conditions of labour in such retail stores compare with conditions in the chain stores?—A. Well, in many of the independent groceries the manager is the owner himself. Most of them are taking their salary from profits.

Q. Or losses, perhaps?—A. Or losses, when they need money they take a certain advance out of their profit, but they do not take a regular salary.

*By Mr. Factor:*

Q. What about the clerks employed by them; how do their wages compare?—A. I know of some on which I happen to have some information who are paid \$20 a week, and I know some cases where they are paid \$25 a week.

Q. Clerks—that's not a manager?—A. Clerks, in a butcher shop.



*By Mr. Ilsley:*

Q. Are these practices brought about as a result of the strictness in the accounting for the merchandise required by the company operating the chain store?—A. Well, here are some of the details that were given to us: for instance, these managers who appeared before us were unanimous in stating that the manager is expected to find 20 packages of five pounds per bag of rice, that generally does not weigh more than 98 pounds. And then, if a manager receives five, ten, or more cases of green tomatoes, he is expected to sell them all—he is expected not to lose a single tomato—and if it happens that these tomatoes become over-ripe before they can be sold, the total loss is usually sustained by the manager. If he has enough nerve he can have them taken back, or credited to him, but if he does so too often—and he knows it—he is bound to lose his job; so, in order to avoid that he does not take any chances.

Q. The public pays the shot?—A. The public pays the shot.

*By Mr. Young:*

Q. You mean, he sells these tomatoes either ripe or green at short weights to his customers?—A. I would prefer to have you get the story from the managers themselves.

*By Mr. Ilsley:*

Q. An unreasonable contract under the accounting system, that is the cause of it?—A. That is the contention of the employees at least.

Q. They should not require them to get 20 packages of rice?—A. Twenty packages of rice of five pounds each out of a 98 pound bag.

Q. No there would not be more than 18 or 19?—A. Certainly, they have been required to get twenty packages of 5 pounds each out of a 100 pound bag of sugar.

The CHAIRMAN: It can't be done.

The WITNESS: It can't be done.

*By Mr. Ilsley:*

Q. They actually do that; there is evidence to indicate that they do that?—A. That is what we have been told by these employees themselves.

*By Mr. Young:*

Q. And these managers are required to get the prices which are set for such things as you have been speaking about?—A. I understand they are supposed to.

Q. I should think bananas, particularly, if they are over-ripe, ought to be sold cheap, say on Saturday; the manager should be allowed to sell cheap.

Mr. HEAP: Use them as loss leaders.

The WITNESS: I understand they are not supposed to vary the price.

*By Mr. Young:*

Q. They are supposed to stay to the fixed price?—A. That is what I understand; as I told you before, the best thing for the committee would be to have the story from these people.

*By Mr. Sommerville:*

Q. You are giving us the names of certain men?—A. They could give you much more than I could.

Q. What is your next point?—A. The next one would be: similar reports have been made to our office regarding wages and conditions of labour to the selling staff of some of the large bakeries. That would also be worthy of investigation.

Q. Is there a bread war, or a bakery war in Montreal or Quebec which would cause the reduced prices?—A. Well, I think I could safely say that there was a price war a couple of years ago, and it is not terminated yet.

Q. And is it as a result of the sale of bread at low prices in these large establishments that wage conditions have been affected in the bakeries?—A. According to the statement of the drivers, this is one of the bad effects that the war had on their wages—the lowering of the price to merchants to one cent; or, if you prefer to take it another way, merchants were given a margin of two cents a loaf on each loaf of bread.

*By Mr. Heaps:*

Q. What is the price of a loaf of bread?—A. The price of this loaf of bread I have given you was 7 cents retail.

*By Mr. Young:*

Q. What was the weight of it?—A. A pound and a half—I am not positive about that, I am not so familiar with that industry. Retail price 7 cents; whole-sale price 6 cents—the wholesale price was reduced to 5 cents, and the price of the grocer reduced to 5 cents, and the retail trade or the grocers who are in the habit of selling on a one cent margin in most cases kept on selling on a one cent margin, thus reducing the retail price to six cents; and the driver on the street calling from door to door was expected to sell at 7 cents—or was charged by the baker, and is still charged by the baker, at 7 cents.

Q. 6 cents?—A. 7 cents—on which he has a commission of 20 per cent; but since the amount of that reduction granted by the baker to the trade, the reduction of one cent; since that reduction has forced the retail price down to 6 cents in the majority of cases, the driver has to sell his own bread at 6 cents, for which he is charged 7 cents, thus supporting the loss himself—a loss of one cent—therefore getting only  $\frac{4}{10}$  of one cent per loaf of bread, instead of one cent and one fourth.

Q. I see?—A. In other words, competition is done at the expense of the driver.

Q. And that affects wages—in Montreal I understand there are several qualities of bread sold?

Mr. ILSLEY: It does not affect any wages particularly.

Mr. SOMMERVILLE: It affects his earnings.

The WITNESS: It affects his earnings considerably.

Mr. ILSLEY: The profit is one-quarter instead of  $\frac{4}{10}$  of a cent a loaf.

Mr. SOMMERVILLE: That therefore affects his return, he can't make a living wage on that.

*By Mr. Heaps:*

Q. Does he get any wages in addition to his commission?—A. I understand that some of the bakeries pay their drivers on a commission basis.

Q. Only?—A. Twenty per cent on the retail business, and eight per cent on the wholesale business.

Q. They receive no wages whatsoever?—A. That is what I am told.

Q. And these bakeries which are supplying the loaves now, at a slightly reduced price, are they large or small?—A. Large.

The CHAIRMAN: Slightly reduced—the reduction is over two-thirds of his former wages.

*By Mr. Heaps:*

Q. I meant a slight reduction for the baker?—A. It may appear to be a slight reduction for the baker, but it is a considerable reduction for the driver.

Mr. FACTOR: I suppose we can go into the bakery end of it later on.

*By Mr. Sommerville:*

Q. Yes, all right, Mr. Messier?—A. Such facts are particularly important because they are indicative of the unfair practices used by the large bakeries.

Q. That is, the large bakeries selling to chain stores have this effect, which you have described, upon the drivers of bakery wagons?—A. Yes. The large bakeries seem to endeavour to monopolize the baker industry. I am also informed that some of the large bakeries are selling their bread from door to door in many localities situated at 25, 50 or more miles from Montreal where they have their headquarters.

Q. That again has its effect upon the driver?—A. Yes, places that were mentioned to me were Huntingdon, Coaticook, and Drummondville.

Q. There are a number of them in any event?—A. They are a number.

*By Mr. Heaps:*

Q. To your knowledge do you know if the driver in these outside districts absorbs the losses?—A. That I could not say.

*By Mr. Edwards:*

Q. They purchase it at the retail price, and are allowed a commission of 20 per cent on it?—A. That is it.

Q. With the return of unsold loaves?—A. I could not say if they actually purchase the bread.

Q. I know it is the common practice?—A. They are charged anyway.

*By Mr. Sommerville:*

Q. They are charged with it?—A. They are charged with it, that would be the same thing; and they are supposed to be held responsible for the credits, although there was a judgment rendered lately by the Superior Court of Montreal ruling that the driver could not be held responsible for the credit. Now, the chain stores are not always offering to the public what we generally call "loss" leaders. Here I have two packages of vermicelli; one is 10 ounces, and the other 16 ounces.

Q. Just take the name off, take the label off the package. They are both "Sunshine"?—A. Both Sunshine. Both of exactly the same quality. Both contain a premium coupon.

Q. A premium coupon?—A. A premium coupon. Both are manufactured by the same firm. One has been bought in a chain store and the other one was bought from an independent store. I wonder if the public could tell me—I wonder if the members of the committee here could tell me—which of these packages is the ten ounce, and which the sixteen ounce?

Mr. SOMMERVILLE: Mr. Young is good on that.

Mr. YOUNG: Is there any weight stamped on that?

The WITNESS: Yes.

Mr. SOMMERVILLE: Just give us a guess; you are looking at them now.

Mr. YOUNG: Give me two guesses and I'll tell you.

The WITNESS: I think you would prefer to see the weight on the label. This one (witness displays the larger package) is ten ounces.

The CHAIRMAN: I would have taken that for the sixteen ounce package.

The WITNESS: This other one (displaying the smaller package) is 16 ounces. This package of ten ounces was bought from the Dominion Stores—



I have the invoice here for three packages of vermicelli, ten ounces, ten cents each—30 cents. This sixteen ounce was bought from an independent grocer; three packages of vermicelli, the invoice shows 3 for 27 cents, and that is in the city of Quebec.

*By Mr. Boulanger:*

Q. It is quoted that way?—A. It is quoted that way—three for 27 cents, 9 cents each.

*By Mr. Sommerville:*

Q. The sixteen ounce package was sold by the independent grocer for 9 cents?—A. Yes, and just before I left yesterday I found the same vermicelli in sixteen ounce packages offered by independent grocers at 3 for 25 cents.

*By Mr. Young:*

Q. What is the cause of the difference in the size of the packages, is there a larger hole in the one lot than in the other, or is it put up in a different form? Could they not put ten ounces in a smaller package than sixteen—possibly the lighter package contains a product in flake form, while possibly the other is long and small and could be packed more closely?—A. That might be.

*By Mr. Sommerville:*

Q. Are they both the same brand?—A. Exactly the same brand.

Mr. SOMMERVILLE: "Quick-cooking, Sunshine brand Vermicelli."

Mr. ILSLEY: The weight is marked on them I understand.

Mr. SOMMERVILLE: When you examine it closely you can see it.

The CHAIRMAN: The point I presume Mr. Messier is making is that by putting up two different sizes and selling one size to chain stores, it enables the chain store successfully to compete against the ordinary grocer, because of the deception in size.

Mr. FACTOR: They get more for the smaller package.

*By the Chairman:*

Q. As a matter of fact, the independent retailer was selling at a lower price than the other in this instance?—A. Yes, it seems to me it shows that the independent retailer oftentimes sells at a much lower price.

The CHAIRMAN: Yes, that is what I say; his price was the better one.

Mr. SOMMERVILLE: By the change in the package the chain store was able to sell a smaller quantity at 50 per cent more than the larger quantity was being sold at by the independent on the identical article.

Mr. YOUNG: Don't you think that is a pretty good advertisement for the independent?

The CHAIRMAN: Yes, if the public knew it.

Mr. EDWARDS: And that would offset the voluntary sale.

The CHAIRMAN: Not only that, but the deception to the ordinary woman purchaser is, of course, the offence in this instance.

The WITNESS: Now, for the information of your committee, I am going to file a certain number of advertisements taken from the Montreal newspapers.

The CHAIRMAN: Before you proceed, we will file these packages as exhibits. (The 10 ounce package was filed as exhibit 81.)

(The 16 ounce package was filed as exhibit 82.)

*By the Chairman:*

Q. All right, Mr. Messier; what did you say?—A. I wish to file with the committee a certain number of advertisements that appeared in the Montreal newspapers in 1933; this one would be October 5, 1933; this October 19, 1933; this June 22, another June 22, one of November 16, October 19, October 5, again October 19—but it is an ad. published by a different chain store; this June 22, then October 5, October 19, and October 19 again.

The CHAIRMAN: These will be filed as exhibit 83.

The WITNESS: There you have advertised various commodities sold by the grocery chain stores, together with the wholesale prices for corresponding dates.

*By Mr. Sommerville:*

Q. Attached to each advertisement you have the wholesale prices of the commodities advertised?—A. The wholesale prices supplied by three different wholesale firms.

Q. Wholesale grocery firms?—A. Yes.

Q. And these prices indicate that many of the articles so advertised were sold at prices below the wholesale price at the time?—A. In many cases, although you will meet with articles that were sold at a decent mark-up.

Q. Yes, but you have taken the whole ad?—A. Taken the whole ad.

Q. In each case; and you have taken the wholesale prices off the articles in the whole ad. in each case?—A. Exactly.

Q. And these wholesale prices are then the wholesale prices in everything below carload lots?—A. In one particular case. If you take the prices of the Model Groceries, the prices there are supposed to be the prices for carload lots.

Q. So that even in carload lot prices you will find many articles are sold as loss leaders by the chain stores?—A. Yes.

Q. And that is what you are complaining of with respect to this whole series of advertisements?—A. Exactly. You may have another example of unfair prices in that series of cases that were made against two different chain stores in Montreal for selling fruit of a quality inferior to the quality that was advertised.

Q. False advertising?—A. Yes, false advertising.

The CHAIRMAN: Court cases?

*By Mr. Sommerville:*

Q. Were these court cases?—A. Yes. The number of the cases and the address of the stores, the date and the amount of the fine paid, and so on.

Q. This is a series of convictions of chain stores?—A. Exactly.

Mr. ILSLEY: Why don't you put that on the record. I do not see any objection to getting that out. If these people have been convicted they may as well get some publicity.

*By Mr. Sommerville:*

Q. Will you please read the statements of cases referred to?—A. That was written on December 23rd, and it included convictions from the 7th of December.

Q. The convictions were only for one month?—A. Yes, December, 1932. Case 15,216, Thrift Store, 6151 Monkland, Outremont—I think it is—

*By Mr. Boulanger:*

Q. Regarding the number which you have, is that the number of the case in the recorder's court or in the police court—in which court?—A. I think it was in the police court. I am not absolutely sure. \$10 fine, plus the cost.

*By Mr. Heaps:*

Q. What for?—A. For selling fruit of a quality that was inferior to the quality advertised.

The CHAIRMAN: False advertising?

The WITNESS: Yes, false advertising.

Mr. FACTOR: Is that under the criminal code?

Mr. SOMMERVILLE: It must have been.

Mr. FACTOR: Is there a by-law in your municipality?

The WITNESS: No, I think it is the criminal code—Pure Food Act.

Mr. ILSLEY: Is it the Pure Food Act? I would not think it was. I do not think it would have anything to do with the advertising.

The WITNESS: No.

The CHAIRMAN: The only thing it could be would be false advertising.

The WITNESS: In the other case, 15217, Thrift Stores again, the same address, 6151 Monkland avenue, \$10 and costs for the same thing again.

*By Mr. Sommerville:*

Q. What was the next one?—A. The next one is 15220, a Thrift Store again, the same address again, 6151 Monkland avenue, \$10 and costs. The next case is 15221, Thrift Store again, 6151 Monkland avenue, \$10 and costs.

Mr. HEAPS: What were the goods? Were they being sold there under a false label?

The WITNESS: These were fruits.

Mr. HEAPS: Canned fruits or fresh fruits?

The WITNESS: Fresh fruits.

Mr. EDWARDS: Have you the names of the owners of those stores? Thrift store does not mean very much. Were these foreigners who were handling these goods?

Mr. SOMMERVILLE: This is a chain store operating—

The WITNESS: This is a chain store—Thrift Stores Limited.

Mr. ILSLEY: Were the offences all admitted on the same day? Was it a set of breaches on the same day—really one offence?

The WITNESS: I could not say from the information I have here, but, no doubt, we can have all the particulars.

*By Mr. Sommerville:*

Q. What was the next one?—A. 15222, Thrift Stores Limited, 1389 St. Catherine street west.

Q. That is another of their stores?—A. Yes, another of their stores. \$10 and costs. The next case is 14654, Thrift Store, 1229 St. Catherine street west.

Q. That is another store?—A. Yes, \$10 and costs. No. 14655, Thrift Store, 1229 St. Catharine street west, \$10 and costs. The next case is 15219, Stop and Shop, located at 960 Outremont avenue or street, \$20 and costs.

The CHAIRMAN: What is their offence?

The WITNESS: The same offence.

Mr. HEAPS: What was the offence—false advertising?

The WITNESS: Selling fruit inferior to the quality advertised.

Mr. HEAPS: It does not convey all I would like it to convey.

Mr. SOMMERVILLE: No. This will be information that will be made available.

Mr. HEAPS: You should search the records



Mr. SOMMERVILLE: Yes.

Mr. FACTOR: It does not seem to me that such an offence exists.

Mr. SOMMERVILLE: I assume it is false advertising.

The WITNESS: Now, the next case is 15218, Stop and Shop again, 960 Outremont avenue.

Mr. YOUNG: The same store?

The WITNESS: The same store. \$20 and costs. In all these cases the fruits sold were inferior to the quality advertised.

Mr. FACTOR: You are sure it is not fruit being sold that is unfit for human consumption—unfit for sales?

The WITNESS: I could not say.

Mr. ILSLEY: That is not what the records show anyway?

The WITNESS: No.

Mr. SOMMERVILLE: We will take this record and follow this through.

(List of cases filed marked exhibit 84.)

*By Mr. Sommerville:*

Q. By the way, were there any other transactions that you wanted to draw to our attention in connection with any of the practices you referred to in any of the chain stores?—A. It might be interesting to have a record of the prosecution for short weights.

Q. There have been prosecutions, have there?—A. I understand there have been some.

Q. Would you have information in your office with respect to that, which might be made available to the committee so that we could have them investigated?—A. I think we have some.

Q. We will ask you to let us have that.

*By Mr. Ilsley:*

Q. Your contention is that it is more prevalent in chain stores than in independent grocery stores, is it?—A. Well, I am still under the impression that the story you will hear from the employees will give you an illustration of the reasons why that may be so.

*By Mr. Sommerville:*

Q. There are conditions which promote it more readily in the one than in the other?—A. Apparently so, yes.

Q. What is next?—A. The next thing would be a document I would like to file with the committee indicating that the situation has developed to such a point in the city of Montreal that the city of Montreal decided last year to impose a special tax on chain stores, a special scale of taxes on chain stores, which I will file.

Q. A list of the special taxes?—A. List of the taxes taken from the charter of the city of Montreal. Maybe I could read it?

*By Mr. Ilsley:*

Q. Is it imposed now?—A. Yes, it is imposed now.

*By Mr. Sommerville:*

Q. Will you read that?—A. Special tax imposed on chain stores by the city of Montreal in March, 1933: An annual special tax on every person, firm, company or corporation operating one or more butcher's stalls in the city outside of the land used for public markets, not exceeding

1. Fifty dollars for each of the first and second stalls.
2. One hundred dollars for each stall over and above two and up to twenty inclusive.
3. One hundred and fifty dollars for each stall over and above twenty.

An annual special tax on every person, firm, company or corporation operating a number of groceries, not exceeding,—

Q. The first you mentioned applied only to butcher's stalls?—A. Butcher's stalls in the city of Montreal.

Q. The tax you are mentioning now applies to grocery stores?—A. Yes.

Q. What are the amounts?—A. They are:

1. Five dollars for each grocery over and above the first up to the fifth inclusive.
2. Twenty-five dollars for each grocery over and above the fifth up to the tenth inclusive.
3. Fifty dollars for each grocery over and above the tenth.

This tax shall not apply when such person has paid the tax prescribed by the previous paragraph.

*By Mr. Baribeau:*

Q. This was for Montreal only?—A. Yes, for Montreal only.

(List of Special Taxes on Chain Stores in Montreal filed, marked Exhibit No. 85.)

*By Mr. Factor:*

Q. How does the imposition of this tax help to remedy the matter of unfair practices or false advertisements?—A. Well, this was done because the administrators of the city of Montreal and the members of the Quebec legislature felt or thought that the development of the chain store organization had become alarming for the general welfare of the community.

*By Mr. Sommerville:*

Q. You are citing this as an indication of the effect of the chain stores upon the community?—A. Yes.

Q. And what the community has done, as a community, to provide more revenue from the chain stores?—A. Yes.

*By Mr. Heaps:*

Q. There was no such tax on departmental stores, was there?—A. No, not yet.

Q. Is your organization working towards that objective?—A. Well, representations have been made.

Q. By the retail merchants of Quebec?—A. Yes.

Q. To the provincial government, asking them to put a special tax on departmental stores?—A. No the city of Montreal.

*By Mr. Sommerville:*

Q. To the city of Montreal?—A. Yes.

MR. FACTOR: I notice even in France they are objecting to the evil effect of chain stores, according to an article in the newspaper the other day.

MR. SOMMERVILLE: And in Germany, too.

THE WITNESS: And Italy, too.

*By Mr. Sommerville:*

Q. Will you continue?—A. How is the retailer affected by these unfair practices and the resulting tendency towards centralization? If we take for

granted that \$10,000,000 are sold by mail, we generally figure it represents the amount of business of approximately 700 country general merchants. Their amount of business would vary around \$15,000 a year.

Q. In other words, the mail order business of \$10,000,000 which is now done in the province of Quebec is equivalent to 700 general merchants of Quebec doing about \$15,000 a year?—A. Yes, exactly. If we look at it from another angle, and consider this class of merchants that are affected by that kind of business, considering that it affects particularly the general merchants, dry goods merchants, boot and shoe merchants and hardware merchants—

*By Mr. Senn:*

Q. Not so much groceries?—A. Groceries not so much.

*By Mr. Sommerville:*

Q. Not so much mail order business done in groceries?—A. No, I don't think there are many groceries sold by mail; and certainly does not affect so much automobile dealers and gasoline stations and restaurant and the rest.

*By Mr. Factor:*

Q. In the figures that you gave us of the \$675,000,000 worth of business, the department and chain stores only did \$175,000,000 worth in 1930?—A. That is quite a decent proportion, for the province of Quebec.

Q. So that there was \$500,000,000 worth of business done by the independent merchants?—A. Yes, but that was more than 25 per cent done by small store organizations.

*By Mr. Young:*

Q. But the average turn-over of the independent merchants was 166,000, and the average turn-over for the average chain store was 103,000, according to the figures.

*By Mr. Baribeau:*

Q. Have you any figures of the municipal, provincial and federal taxes that are paid by the independent merchants of Quebec?—A. I have some that I will give you in a few minutes.

*By Mr. Young:*

Q. What have you to say as to this: You gave us figures of the total trade done by the various stores, and it figures out at about 103,000 for chain stores, and 166,000 for the independent merchants. You must get the lion's share of the business yet?

Mr. SOMMERVILLE: 166,000 what?

Mr. YOUNG: Units.

Mr. FACTOR: 1,692 doing \$5,000,000 worth of business.

Mr. HEAPS: I don't think that is correct. I think he gave you the number of stores in his organization but there must be a vast number of stores not in his organization.

Mr. SOMMERVILLE: He gave 1,692 as the number of chain stores now as compared with 699 in 1930.

Mr. YOUNG: Doing \$175,000,000 worth of business; then he gave us 3,000 as doing the other \$675,000,000.

The WITNESS: Oh, no.

Mr. FACTOR: That is of members.



Mr. SOMMERVILLE: Those are 3,000 members of the retail merchants' association.

*By Mr. Young:*

Q. How many merchants are there outside of your organization?—A. Well, I think the best source of information for those figures would be the Dominion Bureau of Statistics.

Mr. SOMMERVILLE: We will ask the Dominion Bureau to give us the information there.

Mr. YOUNG: You told us there were only 700 merchants affected by the mail order business.

Mr. SOMMERVILLE: No.

The WITNESS: No.

Mr. SOMMERVILLE: He is saying that \$10,000,000 of business is equivalent to 700 country merchants at \$15,000 each.

The WITNESS: No; I rather figure that it affects the business of some 5,000 retailers in the province of Quebec. Then you would naturally come to the conclusion that the average reduction in the sales of each of these merchants resulting from the mail order business would be \$2,000 a year.

The retail merchant loses a good part of the benefit of the cash business and has to support the credit. The following extract from a letter received from one of our members in Pointe Fortune is an illustration of that fact:—

These houses, he said, circulate their catalogues and procure all of the ready cash possible, previous to the departure of the merchandise.

In rural places the clients of those catalogue houses rely on their local merchant to take their produce or their merchandise in trade and obtain credit which at times is a loss to the local merchant while the mail order house receives the cash and will not take their produce and run any risk on same.

This kind of competition and all the unfair trading practices have a discouraging effect on the merchant.

From numerous cities and towns where chain stores and mail order firms do business comes the well-known story of rate cutting to attract the cash trade, of retail stores set up by wholesalers, of local trade being strangled by various unfair trading practices. As a correspondent from Rouyn, Quebec, puts it, "After we worked hard for eight years cutting the trees on the streets, chain stores came in and took the cream of our customers." He added that "the way it looks in town here, Dominion Stores, Eaton, Simpson, and Woolworth, and all those chain stores are going to run all the business and we will have to close doors. Therefore we hope something could be done to stop controlling the business by four chain stores in this town of Rouyn, because the town will go bankrupt in a short time, nobody will be able to pay taxes."

Here is an excerpt from a letter received from the president of the Chamber of Commerce at Joliette, Quebec:—

"If the present situation is allowed to continue, the individual dealer will have to disappear to make room for chain stores. If the individual stores disappear from small towns, I can assure you that not much will be left. There are chains which, from time to time, sell certain goods that they do not carry regularly. Woolworth, for instance, do not sell meat, bacon, bananas, oranges, graniteware, in a regular way, but sometimes they do buy such goods, the price of which is well known, and if they pay \$0.20 for an article, they sell it for \$0.20 even at a loss, whereas all other articles costing \$0.20 are being sold at \$0.40. In such a way, they create the impression that prices with all merchants are too high,

whereas their own prices are low, which is not the case. This amounts to a systematic destruction of individual trade, which shoulders its responsibilities, but which is often subjected to competition created by anonymous firms organized with public funds. If they succeed in crushing their competitors, they reap the advantage of large profits in big salaries. Should they be unsuccessful, the people who placed their money into their hands lose their capital or the interest thereon. Often these very same stores are purchased at ridiculously low prices after the first investors have lost their money. A prohibitive tax should be imposed on chain stores."

Here is another instance of unfair competition. The Eaton Company does not sell flowers as a regular line. On March 12, 1934, it advertised in a local paper certain flowers at ridiculously low prices as compared with those of reputable florists for the same products. This is most unfair to well-established business as it gives the public the impression that it is overcharged and tends to draw their trade away from them.

If we want to have an idea of the effect of the tendency the centralization of trade will have, we should first consider the value of the local merchant to his community.

In 1930, our association sent out a questionnaire to over 4,000 retailers throughout the province of Quebec, with a view to finding out the amount of the various expense items of the merchant in his locality. The figures contained in the replies received were compiled and the averages are as follows:—

*By Mr. Sommerville:*

Q. You had replies from how many?—A. Approximately 700 out of the 4,000 to which we sent the circular.

*By Mr. Baribeau:*

Q. Throughout the province?—A. Throughout the province.

*By Mr. Sommerville:*

Q. You say 700 merchants sent in their replies; the figures you are now giving to us are the average of the figures sent in by the merchants?—A. Exactly.

Q. Will you please tell us what the figures were?—A.

Municipal taxes.. . . .	\$ 188 55
Business taxes.. . . .	85 45
School taxes.. . . .	80 80
Licences, inspection fees, etc.. . . .	121 10
Church taxes.. . . .	30 00
Social works.. . . .	96 59
Salaries and wages.. . . .	1,195 21
Rent.. . . .	1,420 00

Let us add to these figures the amount of money paid to the local doctor, notary and lawyer, the amount paid to the farmers for their products; then multiply the total by four if you estimate that it is the rate of circulation of the money before it is sent out of the locality and you have an idea of the immediate financial value of the average retail merchant to his community.

Q. What do you mean by "then multiply the total by four" to get the fair rate of circulation of money; do you mean that money circulates four times in a community before leaving that community in the ordinary course of commerce—is that what you mean?—A. Yes.



Q. Illustrate it.—A. It might be interesting for the committee to hear an illustration of that local circulation that was made, I think it was two years ago, in the city of Sherbrooke. The local merchants in Sherbrooke decided one day to undertake a campaign to encourage "buying at home" and they thought that probably the best way to show to the public the advantage of local buying was to use something by way of an object lesson which would be spectacular; so they decided that they would take a dollar bill and have this dollar bill go through—

The ACTING CHAIRMAN: Trace it through.

The WITNESS: Through a certain number of stores. A local grocer started with a dollar bill, he went to see the dealer about a rubber shoe for a dollar, on which naturally the shoe dealer made a profit; and he said to the shoe dealer you will use this dollar bill to buy one dollar's worth of merchandise from another merchant—that man went to the hardware dealer and repeated the same experiment with the hardware dealer; that man went to the druggist, and so on, until this dollar had passed through seventeen different local merchants.

The ACTING CHAIRMAN: And the dollar came back to the same man.

The WITNESS: Possibly. Then they took another dollar and went to the chain store there, and bought a dollar bag of sugar. Then made arrangements with the local merchant to use his windows for display for a week. They took two different windows, in one of these they displayed the whole series of seventeen articles, with a big sign on top of it showing a dollar bill.

Mr. FACTOR: "See what your dollar buys."

Mr. YOUNG: Or "See what your dollar can buy in the City of Sherbrooke."

Mr. SOMMERVILLE: "When spent at home."

The WITNESS: When you buy it from the local merchant. Seventeen merchants had had the profit from that dollar and the dollar is still in the locality.

*By Mr. Factor:*

Q. You call that good advertising?—A. Yes. In the other window they just put the small bag of sugar, and the sign on the top of it was just as big as the other, with a dollar bill there, but in blank—telling to the public, see what is the result of your action, or what you are doing, when you are buying from the chain store—the only thing that you have had is a small package of sugar, and you are not even sure you have had the right weight, and your dollar is gone.

Q. Yes, to headquarters?

The ACTING CHAIRMAN: It is one o'clock, how much more have you, Mr. Messier.

*By Mr. Somerville:*

Q. He is almost through, just a few more minutes is all that will be needed for him to finish. Yes, Mr. Messier?—A. It is also a well-known fact that the merchant is generally one of the most civic-spirited citizens. He is an element of progress, stability and peace for the community. You have seen him in all parts of our country opening new centres to civilization, building villages, and towns. But we do not know of any community that has been established through the efforts of chain stores and other similar organizations, the reason is that they wait until there is sufficient population and the community has been properly organized before they open stores of their own.

Every retail merchant that disappears is a very serious loss to the community.

The unfavourable reaction of the centralization of trade and of the use of unfair practices on the consumer is certainly not less serious.



In a general way we can safely say that the mass of the consumers are interested to prevent the centralization of wealth into the hands of a few corporations or individuals.

I am far from being a communist, but I have always been of the opinion that in a community of 500 families the people would be much happier if each family possessed an amount of \$2,000 than if the total fortune of \$1,000,000 was in the hands of one person while the rest would be starving.

The mass buyers policy, paying the lowest possible price for their merchandise, results in lowest possible wages paid by producers and lowest possible return to the producer himself.

The consumer-producer and the consumer-wage-earner are therefore both adversely affected. They represent the larger part of the consumers. The following part in numerical importance is composed of unemployed, and the majority of them will soon go back to work when adequate measures have been applied to prevent the centralization of trade and the use of unfair practices in the trade and industry of our country.

We respectfully offer to the Committee the following suggestions with a view to improving the situation:—

The setting up of a Domestic Commerce Department to deal with the problems of the internal trade.

The regulation of competition by industrial and commercial codes, which would prevent such practices as fraudulent bankruptcy, false advertising, loss leaders.

A \$5 tax on every mail order catalogue.

A scale tax on chain stores.

Q. And these, you think, would help to relieve some of the difficulties that the retail merchants are suffering from in this country at the present time?—A. We feel that it should help.

Mr. SOMMERVILLE: Thank you very much, Mr. Messier.

Witness discharged.

Mr. SOMMERVILLE: We were to have had certain witnesses this afternoon, but owing to last moment conditions the witnesses could not be available; and therefore there will be no further hearing to-day. We will proceed at eleven o'clock to-morrow morning.

The Committee adjourned at 1:05 p.m., to meet again Wednesday, March 28, 1934 at 11 a.m.



HOUSE OF COMMONS, ROOM 368,

March 28, 1934.

The special committee appointed to inquire into price spreads and mass buying met at 11 o'clock a.m., the Hon. H. H. Stevens presiding.

Mr. Norman Sommerville, K.C., of Toronto, appeared as counsel for the committee.

The CHAIRMAN: Order, gentlemen; the minutes disclose only the names of the witnesses and the exhibits filed. There is nothing further in them, and if there is no question about them, we will declare them approved.

The first witnesses are Mr. Donovan and Mr. Ryan. They had better just come together, if they will. We will swear both of them, and then we can hear them both.

M. G. DONOVAN, called and sworn.

T. G. Ryan, called and sworn.

*By Mr. Sommerville:*

Q. Mr. Ryan, you are president of the Montreal Live Stock Exchange?—

A. That is right.

Q. And you have been, for a number of years, a live stock commission man on the live stock exchange?—A. Yes.

Q. That is your entire business?—A. Yes.

Q. And you are a member of what firm?—A. Maher & Roberts.

Q. That is a firm that has been established a long time on the exchange, is it?—A. That is right.

Q. How long?—A. Well, the firm of Maher & Roberts have probably been in business about seven years, I would think; but Mr. Maher, the senior member of the firm, has been established on that market for about eighteen years.

Q. Mr. Donovan, you are a member of the live stock exchange in Montreal?—A. That is right.

Q. And you have been dealing on that exchange as a live stock commission man for a number of years?—A. Yes.

Q. And you are a member of what firm?—A. My own firm, M. G. Donovan.

Q. And previous to that, I understand you had a number of years' experience in the packing industry in Montreal?—A. About seven years.

Q. In the various departments of the packing industry?—A. Yes.

Q. From office boy right through?—A. Right through to buying.

Q. In the manufacturing department?—A. Also, yes.

Q. And you were buyer for a number of years for certain packing interests operating on the Montreal market?—A. Yes.

Q. And following that, you went into business as a commission man on the Montreal exchange?—A. Yes.

Q. And have been, for a number of years, operating independently in that way?—A. That is right.



Q. Now, there are certain features of the live stock marketing situation which you desire to bring to the attention of the committee, that have arisen out of your experience. Will you tell me first of all what is the volume of business on the Montreal exchange?—A. Oh, it would be about 400,000 head a year.

Q. About 400,000 head of live stock per year?—A. Yes.

Q. How many stockyards are there in Montreal?—A. Two stockyards.

Q. What are they?—A. Two what we call public stockyards; one is owned by the Canadian Pacific Railway, and the other is owned by the Canadian National Railway. They are situated about eight miles apart.

Q. And what is the effect of having two such public stockyards in one city? What is the effect as far as the producer is concerned?—A. Well, the maintenance of two stockyards in Montreal quite naturally increases the marketing cost of any live stock marketed through the public markets in Montreal. They have to keep two staffs of employees, one in each stockyard. There is the upkeep of both stockyards. Either one has sufficient buildings and sufficient accommodation to accommodate all the live stock that comes to Montreal. It also means that buyers have to either have two sets of buyers, one on each market, or they are running back and forth through the city, and it causes great fluctuation in the prices from one market to another. If on a market day, say on Monday, the majority of the buyers decide to go to the east end stock market, and there is very little stock at that market, the price is liable to jump up \$1.50 or \$2 a hundred on certain grades of stock; while on the other market we may have a big supply of stock and we have got no buyers; instead of having a jump there, we might have a drop of 25 or 50 cents.

*By Mr. Young:*

Q. Have you no way of knowing where the stock is going; do buyers go blindly to the market?—A. They don't go blindly to the market, but if they are in the habit—we have a certain class of butchers in the east end of the city who are in the habit of going to the C.P.R. stockyards.

Q. Local butchers?—A. Local wholesale butchers, and they will flock to that market for the opening hour at eight o'clock.

Mr. RYAN: Just on occasion.

The WITNESS: On certain occasions they are there at eight o'clock, and there is a small run of stock; they don't want to be left, and they will say, "I have got to have more stock." If they wait till they ride out to Point St. Charles, while it is only eight miles, it is through the heart of the city, and it is possibly an hour's drive. Both markets opening at eight o'clock, they will buy on that market, being afraid of being left without any stock by going to the Point St. Charles market.

*By Mr. Sommerville:*

Q. In other words, two markets have to be maintained?—A. Two markets have to be maintained.

Q. And the cost of maintaining the markets come eventually out of the producer?—A. Yes.

Q. Unless they are maintained at a loss.

*By the Chairman:*

Q. Would it be possible to have one market?—A. Yes.

*By Mr. Senn:*

Q. In that regard, is there any set price or set rate for stockyard charges and also for commission charges on those markets?—A. Yes, but they

could be lowered. The manager of the west stockyards has openly stated that he could lower his charges 10 to 15 per cent if all the stock was going through that one market.

*By Mr. Sommerville:*

Q. That is, with increased volume?—A. Increased volume will permit him to reduce his charges.

*By Mr. Young:*

Q. If all the stock went through one market, would it entail additional switching for railways?—A. It would eliminate it.

Q. It would eliminate switching, would it?—A. Yes.

Q. In what way?—A. Because most of the stock is now coming—I would say probably 55 per cent of it is coming through the Point St. Charles yards. It is hard to point that out unless one is familiar with Montreal, and the way the two railways come into Montreal. The C.P.R. enter Montreal parallel with the C.N.R.—that is enter the island of Montreal. The C.P.R. branch off and go northeast, away up here to their siding yard—it is called the Outremont siding yard, whereas the Canadian National Railways comes in here, straight in to one of the stockyards. The C.P.R. will not break up a train there.

*By Mr. Sommerville:*

Q. At the point where they diverge?—A. Where they run parallel; but they bring the stock away up here, I think it is eight miles up to the Outremont yard. Then they break their train at Outremont and the stock waits there for the switching engine. It may be that that switching engine is waiting for the stock, or it may be six or eight hours before the switch engine comes up. When the switch engine comes, they move it two or three miles to Jacques Cartier Junction, and then the C.N.R.—here is their yards at Turcotte, and they have about an eight-mile run up to Jacques Cartier Junction. The same engine that gets this stock from the C.P.R., to go to the C.N.R., has ten or twelve private sidings along this route where they have to shunt cars, which means that once they pick up this stock, they have to stop and start, and every stop and start on a freight train with live stock on it, causes bruises.

*By Mr. Young:*

Q. Do you mean to say the switch engine that is taking that stock from one of these points to another has to stop at this warehouse and switch on the way?—A. Yes. There may be an odd night when there is some siding which is not working. But if there is any work to be done, it has to do it.

Q. They switch, and carry that stock on the switch train all the time?—A. Yes.

*By Mr. Sommerville:*

Q. It is either dropping or picking up?—A. Yes.

Q. At these private sidings?—A. Yes.

Q. When they are bringing in their live stock?—A. Yes.

*By Mr. Young:*

Q. Have you ever taken that up with the railway companies?—A. Yes.

Q. What do they say?—A. We can get both railway companies to agree that union stockyards in Montreal would be a fine thing for the producer; but it is a matter of four or five miles' run from this Turcotte yard into the C.N.R. stockyards, which they both admitted might be the logical place for the union stockyards, and there is between four and five miles run of track here that they cannot agree over running rights.

*By Mr. Boulanger:*

Q. Has the C.P.R. any connection with their own yard?—A. The same connection reversed. Their stock comes in here and it has to be switched at Jacques Cartier Junction—at least Outremont by a switch line to get to Jacques Cartier Junction; they get the stock and break it at Outremont and bring it to their yard at the north east end of the city, to the C.P.R. stockyards.

Q. What part of the city is that?—A. I would say the C.P.R. stockyards are in the northeast end of the city. It is at the corner of Mount Royal and Iberville streets.

Q. The C.P.R. has this same connection that you have outlined?—A. They each use the same track.

Q. They go to the east end stockyards?—A. Yes; they use the same connection.

Mr. RYAN: Depending on the origin of the stock, of course, whether C.N.R. or C.P.R.

*By Mr. Young:*

Q. The C.P.R. track comes in here; they have a train that is half stock and they won't break it there?—A. No.

Q. How are they going to get into this; suppose they have union stockyards out here, how are they going to get up there? They are going to have just the same trouble.

Mr. KENNEDY (*Peace River*): How are we going to get this on the record?

Mr. SOMMERVILLE: Yes; they can't take down "here" and "there."

Mr. DONOVAN: It is hard for me to explain without a railway map. They already have a switch track here.

*By Mr. Young:*

Q. You say they won't break the train?—A. No.

*By Mr. Sommerville:*

Q. When you say "here," they have a switch track at the point where the two lines are parallel?—A. Yes.

Q. And at the point where they begin to diverge?—A. Yes.

Q. They have a switch track?—A. Yes.

Q. But they will not break the train there?—A. No.

Q. In other words, the C.P.R. will carry their trains through to the C.P.R. distributing yard; what do you call it?

Mr. RYAN: Jacques Cartier Junction.

*By Mr. Sommerville:*

Q. And that they don't break up their train, and it has to go from Jacques Cartier Junction down to—A. To Turcotte.

Q. To Turcotte, which is some eight miles, and Turcotte is on the C.N.R.?—A. Yes.

Q. And that is the C.N.R. sorting yards?—A. Yes.

Q. And at the Turcotte sorting yards it is picked up and taken to the C.N.R. stockyards?—A. Yes.

Q. That is the process?—A. Yes.

Q. As far as the C.P.R. trains are concerned?—A. Yes.

Q. And if stock comes in over a C.N.R. train, directed to the C.P.R. stockyards, it is just the reverse process?—A. Right.

Q. And goes over the same trackage but in the reverse orders which has just been named?—A. Yes.



*By the Chairman:*

Q. May I just make a suggestion; I think this is very interesting and very important, but I am afraid we cannot do very much in regard to rectifying it, except one thing; and that is in your opinion, Mr. Donovan, it would be better if there was a union stockyard at Montreal?—A. Yes.

Q. And that the present conditions of the stockyard adds to the cost of distribution or marketing?—A. That is my point. I might say as representing the Montreal Live Stock Exchange, we have never advocated the union stockyards at any particular point.

*By Mr. Sommerville:*

Q. You just want the principle accepted and want the parties to work it out?—A. Yes.

The CHAIRMAN: I think that is about as far as we, as a committee, can go, having in mind our function.

*By Mr. Ilsley:*

Q. I may be wrong about this but I thought that he brought up another important point, that the railway companies were disposed to agree on a location, but could not agree on trackage rights and the amount charged for joint running rights. Is that correct?—A. I don't know if it was charges or principle, but I know that they both agreed; in visiting officials of both railway companies, they agreed that a union stockyard would be a good thing for Montreal.

*By Mr. Factor:*

Q. Owned by whom?—A. There was no question of ownership.

*By Mr. Senn:*

Q. A good thing for Montreal?—A. A good thing for the producers, for the sales of the producers' stock in Montreal.

Q. A union stockyard would eliminate shunting difficulties?—A. Yes, it would eliminate this extra haul of approximately sixteen miles on a lot of stock.

Mr. RYAN: And the delay in the delivery of stock.

Mr. ILSLEY: I think this legislation last year was to provide machinery for allowing the railway companies to co-operate.

The CHAIRMAN: My point was this; that having got the principle established, we could draw that to the attention of the parties who could give effect to it. We positively could not go into an examination of the physical side of it, where it should be and so forth.

Mr. FACTOR: I don't suppose we could go into the question of establishing stockyards, could we?

The CHAIRMAN: No, I think we would be getting out of our line.

*By Mr. Sommerville:*

Q. Mr. Donovan, how many commission firms are operating on the Montreal stockyards?—A. Seven.

Q. And they maintain their offices both at the C.P.R. yard and at the C.N.R. yard?—A. No. There are seven working at the Canadian National yard.

Q. There are seven working at the Canadian National yard?—A. Yes, and we just confine our business to the Canadian National.

Q. And that is where you are operating?—A. Yes.

Q. And how many firms are operating at the C.P.R. stockyards?—A. I don't know. I am not interested.

Mr. SENN: Are all these private firms?

*By Mr. Sommerville:*

Q. Are the seven firms all private firms?—A. No, there is one co-operative organization.

Q. One co-operative and six private firms?—A. Yes.

Mr. RYAN: I think there are three at the east end.

Mr. SOMMERVILLE: You think there are three commission firms operating at the C.P.R. stockyards?

Mr. RYAN: Yes.

*By Mr. Sommerville:*

Q. That would indicate that a large quantity of the stock goes into the St. Charles stockyards?—A. Yes.

Q. What have you observed as to the question of competition on the Montreal stockyards; what has been the effect of the movement of the last few years upon competition on the Montreal stockyards?—A. Well, the larger buyers seem to have set themselves to getting more stock in direct shipments and eliminating the smaller butchers.

Q. First of all, getting more stock by direct shipment?—A. Yes.

Q. That is, direct shipment to the plant?—A. Direct shipment to the plant.

Q. That is the first effect upon competition, and the second is they have directed their attention to the getting rid of the small butcher?—A. The small wholesale butcher.

Q. We have had some evidence from Mr. Ingaldson as to the effect of the direct shipments in reducing the quantity of livestock that came to the markets, and reducing the buying by the large packing plants. I suppose you agree with that general observation?—A. I do.

Q. That is one way in which competition has been reduced. Has competition been still further reduced by the effect of the merger of some four or five years ago?—A. Yes; that eliminated a couple of buyers.

Q. The merger eliminated several buyers from your market?—A. Yes.

Q. Apart from the question of there not being as much livestock on the market, and few buyers, which everybody recognizes as affecting competition, what would you say as to the question of the value to the producer of sales on the stockyards, as against shipments direct to the plant. Let us have your observations on that phase of it, Mr. Donovan?—A. I would say that my observation, from what I know to be facts, is that the sales on the public markets bring a greater return to the producers than the sale of stock on the siding.

Mr. YOUNG: Give us an axample.

*By Mr. Sommerville:*

Q. Amplify that for us. Take first of all, a shipment of cattle. We will deal with each variety in turn, but first of all, give us some evidence with respect to cattle?—A. Presume that a farmer had one cow, and if he ships it to the public market, that cow is fed and watered, and there is an experienced salesman there to sell it, a man who is familiar with the market conditions and with the sales price, and a man who knows the exact grade. He can picture what cattle will look like when they are dressed; and he would say it is a medium cow. Through his years of experience that have come to him, he would know when it is dressed it would be a medium cow.

Q. It would grade what is called a medium cow?—A. Yes. Presume that that cow weighed 1,000 pounds on the market, fed and watered. It would cost the farmer approximately \$1.25 to put that cow through the Montreal market.

That is the salesman's commission, the market's feed, the weighing, the yarding and so forth.

Q. It would cost \$1.25 to put an animal weighing 1,000 pounds through the market?—A. It would cost \$1.25.

Mr. RYAN: With the exception of freight.

Mr. DONOVAN: That is, without freight. I am just taking it after it gets to the stockyard. The freight is only where it comes to the stockyard or the plant siding. Now, if the beast presumably sold on the market as a medium cow, and sold for \$0.04 a pound, for a matter of figuring, it would be \$40, less \$1.25. If that cow was delivered to a packing house siding, there is the possibility that the grading might be different. They might call it, instead of a medium cow, the next lower grade, say, a plain cow or a fair cow.

*By Mr. Young:*

Q. They do it? I want to know if they do that?—A. I have heard quite a lot of arguments over them trying to do it. I know there has been quite a lot of battles on their sidings about it.

*By Mr. Senn:*

Q. I should like to ask one question to clarify that. Are the cattle that are brought to the packers' siding sold on the siding, or are they bargained for before they leave the station?—A. They are sold on the siding. I am not referring to cattle delivered to the sidings—

Q. Is that a common practice?—A. Absolutely, very very common.

*By Mr. Sommerville:*

Q. In Montreal?—A. All over Canada. I have had experience on every market in Canada.

Mr. FACTOR: I thought we had evidence that the packers send their representatives right to the farmers' barn.

Mr. DONOVAN: That is a quite different class from what we were talking about. We were talking about animals delivered—plenty of cattle are sent in carload lots or by truck lots to the packers' siding, and they are sold right there, and never touched by the open market. They are all sold right on the siding.

Mr. SOMMERVILLE: Sold by this method?

Mr. DONOVAN: Sold by this method.

The CHAIRMAN: Would you let the witness finish his deduction. He was about to say what would happen if the cattle were graded lower. He was about to tell us what the difference would be.

Mr. DONOVAN: I would like to say that that animal put on the public market would weigh 1,000 pounds, and it would be weighed by a sworn weighman, who has been approved by the federal Department of Agriculture.

*By Mr. Sommerville:*

Q. Over a government scale?—A. Over a government checked scale. The scale belongs to the stockyards, but the balancing and everything is supervised by the Department of Agriculture, and it has to have a registered beam. Now, when that animal is delivered direct to a packing house, it is weighed by a packing house employee, and the same animal that would weigh 1,000 pounds on the market would weigh, if it came off the car, a distance of say anywhere of 75 to 100 miles, about 915 or 925 pounds. Presume that they had agreed that it was a medium cow, the same as it was graded on the market, and presume the farmer got an equal price per pound, which I know sometimes they do, but he would only be getting paid for 915 or 925 pounds that it would weigh off the car.



Q. Let us follow that through. If the farmer got, we will say, four cents a pound delivered at the stockyards, or from the sale by the stockyards, and four cents a pound for the same animal delivered direct to the plant, you say that the farmer would still lose the 75 pounds in weight, the difference between the weight on the stockyards and the weight off the car or truck?—A. Yes, that is correct.

Q. And that is because on the stockyards all live stock is fed and watered before sold?—A. Yes.

Q. And that difference of 75 pounds an animal at four cents a pound, would represent \$3 an animal?—A. Yes.

Q. So that the same animal sold in the stockyard would produce \$3 more than if it were sold on the siding?—A. Less the cost of marketing, \$1.25 a head.

Q. Less \$1.25 per head?—A. Yes.

Mr. FACTOR: Less commission?

Mr. DONOVAN: That is including commission.

*By Mr. Sommerville:*

Q. That means that the farmer would get \$2.75 more at the market per head?—A. \$1.75.

Q. \$1.75 more per head than he would get by the direct delivery?—A. Yes.

Q. For the same animal. So that the same animal sold at the stockyards rather than sold by direct shipment, would produce more back to the farmer?—A. Yes.

Q. After all charges have been paid? That is your experience?—A. Yes.

Mr. KENNEDY (Winnipeg): The impression was given to this committee some time ago that there was an adjustment made.

The CHAIRMAN: An adjustment of four per cent?

Mr. KENNEDY (Peace River): That is in regard to hogs.

Mr. SOMMERVILLE: We will demonstrate on hogs in a few moments, but this is cattle. This is on the basis of the animal being graded exactly the same at both places?

Mr. DONOVAN: Yes.

Mr. FACTOR: Where did you get \$3.

Mr. SOMMERVILLE: 75 pounds at 4 cents a pound. The same principle applies to heifers, steers and butcher cattle all along the line?

Mr. DONOVAN: Yes.

*By Mr. Sommerville:*

Q. Does it not?—A. Yes.

Q. If that were applied to a carload you would just have the improvement of \$1.75 or more by so many animals in the car?—A. Yes.

Mr. KENNEDY (Winnipeg): I should like you to clear up the point as to whether or not there is some adjustment made.

*By Mr. Sommerville:*

Q. Now, is there an adjustment on the difference between food and water sale price at the yard, and the off-car price at the plant, that you know of?—A. Well—

Q. Have you ever heard of any on cattle?—A. The only way I can answer is that I do not know of any adjustment. That is the only way I can answer it, though quite often the buyers have used, you might call it sales talk, but they tell it as a fact, that they are buying the stock cheaper per pound on the siding than we are selling it to them on the market.

*By Mr. Young:*

Q. What does he tell the farmer who goes to the plant?—A. I do not know; it is done privately. I have no way of checking up what he tells that man.

*By Mr. Factor:*

Q. That does not dispose of the question of whether or not there is an adjustment?—A. To my knowledge I know of no adjustment being made.

Mr. KENNEDY (Winnipeg): You have not heard that opinion being given?

Mr. DONOVAN: No.

Mr. YOUNG: In the market quotation in the paper, is there not an off-car price?

Mr. DONOVAN: The market quotation in the paper is on the public market. You never saw, at least I have never seen in any paper a price published that was paid at the packers' siding. Any prices published in the papers show what happened on the open market.

*By Mr. Sommerville:*

Q. I will clear that up. If you sell cattle in the public stockyards at an off-car price, they are sold on a different basis, are they not?—A. Well, we do not in Montreal; we do not sell them off-car, we feed and water the stock.

Q. Then there is no adjustment and no difference in the matter of cattle as far as direct shipments and sales to stockyards are concerned?—A. No.

Q. Is there any other feature? You were pointing out that the saving to the farmer was \$2.75 a head?—A. \$1.75.

Q. Now, Mr. Donovan, what is the effect of the grading at the packing plant by the packing buyer, in which they are reduced from the one grade that you referred to to the fair cow grade?—A. I would say approximately 40 cents to 50 cents a hundred less.

Q. In other words, on the public stockyards, the grading is done by experienced salesmen?—A. Yes.

Q. Acting for the producer?—A. Yes.

Q. In the case of direct shipments, the grading is done by the buyer himself?—A. Yes, or he may have a truck driver or owner, or he may go there himself to fight out the grading, if he wishes.

Q. At any rate, he is the man who settles on the grade; if the owner is not willing to accept it, what happens?—A. I do not know what happens any more than there have been cases where an owner was not satisfied on the siding, and they asked the public market to take him out; but in the Montreal market we cannot do that any more, the Health of Animals branch will not allow the transport of the cattle.

Q. You have now dealt with the question of cattle—

Mr. YOUNG: We have not had any evidence on this point at all. The witness tells us that he knows what happens in the yard, but he is only guessing at what happens in the plant. He surmises they may grade them lower in the plant, and he surmises they may buy on the same basis, but we would like some evidence.

The CHAIRMAN: Mr. Young, would not this be a reasonable assumption on the part of the committee: I shall put this in the form of a question to Mr. Donovan. If a jobber sends his animals to the stockyards he has the protection of a government inspected operated scale, or a scale operated by an official that has been passed upon by the government, and a government inspected scale, and government graders? If he ships direct, he must be satisfied with the weighing and the grading of the buyer, or come to an understanding with him. Is that so?

Mr. DONOVAN: Yes, that is it.

The CHAIRMAN: He has not government protection behind him. That is really the point.

Mr. YOUNG: Are not the scales in the packing house inspected periodically?

Mr. DONOVAN: That is their private business. It is not inspected under the Department of Agriculture the same as the scales on the market.

Mr. YOUNG: They are inspected under the Weights and Measures Act.

The CHAIRMAN: They are inspected every so often by an official who inspects all scales.

Mr. YOUNG: The scale that is used, I understand, registers the weight, but somebody pulls the lever at the time for it to register?

Mr. DONOVAN: A sworn weighman, approved by the Department of Agriculture.

*By Mr. Young:*

Q. Who pays him?—A. The stockyard company, which has no interest whatever in the livestock.

Q. The difference is, in one case he is an employee and in the other case he is not.

*By Mr. Factor:*

Q. Have you knowledge of any cases where the packing plant did not pay the farmer for the right weight?—A. No, I have not.

Q. There is some insinuation in here. Let us get at the bottom of the thing; for it appears that there is some idea existing as to the producer not getting the right weight when he ships direct to the plant, because the scales are not government inspected. Do you know of any actual cases to that effect?—A. I do not know how you could ever get an actual case. The farmer on the farm has five or six cattle, and he delivers them into the packing house. I do not think he has a scale at home, or at least, the average farmer has no scale at home to weigh them before he takes them there.

*By Mr. Sommerville:*

Q. Once they are in the packing house, he does not get a chance to check them up and weight them on the public scale?—A. No.

The CHAIRMAN: The point I was trying to draw to the attention of the committee was this: We must not assume that there is crookedness on the part of the packers. All that we can assume is that the farmer does get certain protection, if he ships to the public market. On the other hand, he simply makes a deal privately with an interested buyer, and I do not see how he can go any further, because Mr. Donovan is making no charge that there is crookedness. He is merely pointing out the advantage of bringing stock to the public market. Did I understand you aright?

Mr. DONOVAN: Quite right; that is what I want to bring out.

*By Mr. Kennedy (Winnipeg):*

Q. I think there was a little misapprehension about the matter of grading, you have intimated to the committee that if they are shipped directly to the stockyards, there is the benefit not only of government-inspected weighing, but also of government grading; that would not apply to cattle?—A. No, not government grading; I said they got the benefit of experienced salesmen. I think that is the word I used there.

Q. Yes, that is right. It is really a difference between "trading" and "settlement"?



*By Mr. Sommerville:*

Q. There is a difference between "trading" and "settlement"?—A. Yes.

Q. That is to say, for settling purposes the commission man is trying to see that the grade is maintained on the highest possible level for his producer?—A. We call that trading; the other basis is more just a settlement on what he has shipped in.

Q. You call that trading?—A. Yes.

Q. In other words, the term "trading" is set up as opposite to "settlement"?—A. That is right.

Q. And settlement for what is shipped in is what you call "settlement"?—A. Settlement.

Q. Now, the question I presume is fundamental, that the longer the haul the greater the shrink?—A. Right.

Q. And the more advantage there is to the packing house in getting the animals with the greatest shrink?—A. Yes.

Q. And the less advantage to the producers; in other words, this question is more that of the weight over the market scale fed and watered; and on a thousand pound animal that would produce, I understood you to say, about 500 pounds a piece?—A. Yes.

Q. And that same animal weighed off the cars say at 925 pounds, that you referred to, would still dress 500 pounds of beef?—A. Absolutely.

Q. And the advantage to the buyer is in getting the animal weighed off cars or direct, as the case may be?—A. Yes.

Q. Because he gets a larger proportion of return in beef to the total purchased, and then you say that does not react to the benefit of the producer?—A. No.

Q. But to the benefit of the buyer?—A. Yes.

Mr. ILSLEY: Provided he pays the same rate per pound.

Mr. SOMMERVILLE: Yes, providing he pays the same rate per pound.

Mr. ILSLEY: Live weight.

The WITNESS: Yes.

*By Mr. Kennedy (Winnipeg):*

Q. Is it possible that the buyer of fed and watered cattle does not take into consideration the fact that they are fed and watered, and discounted in some way or other?

The CHAIRMAN: Ask the witness.

*By Mr. Kennedy (Winnipeg):*

Q. That is what I am doing?—A. It is my experience, I have had the packers quote me within the last six months, canner cows—the farmers were trying to get away from paying any market fees on them, and in advising the packer's buyers I have asked them, would they quote me a price for a load, or two carloads of canners off-cars; invariably they have quoted me the same price as the market, fed and watered.

*By the Chairman:*

Q. That is your experience?—A. That is my experience on the market.

*By Mr. Senn:*

Q. For the purpose though of diverting them straight to their abattoirs?—A. There was no purpose of diverting them, they just bid me the same price.

Q. It seems to me a strange thing that a packer would bid four to five cents, in the case of canner cows; the difference there would be very little, but in the case of higher-priced animals, I cannot think that they would quote you the same?—A. Well, they did quote me the same on more than one occasion, but that could be easily verified, I suppose, by members of the committee.

*By the Chairman:*

Q. That is your experience, Mr. Donovan, and that is all you can speak of?—A. That is my experience.

*By Mr. Sommerville:*

Q. We can find out what they pay at the plants. With respect to the question of these direct shipments, what is the view of the majority of packers and buyers on the market at Montreal as to whether the stock should be sold upon the public stockyards, or sold direct?—A. I personally was asked by our exchange to make a canvass of the trade on that question, and they all—with one exception—were in favour of having all stock placed on the public market.

*By Mr. Factor:*

Q. You mean all the buyers with the exception of the packers?—A. No, I mean all the buyers, with the exception of one buyer.

*By Mr. Sommerville:*

Q. And that buyer represented one packing firm?—A. Yes.

Q. All of the other packers were quite agreeable or desirous?—A. Desirous.

Q. Desirous of having all the stock sold upon the public stockyard?—A. Yes.

Q. But the one buyer was not agreeable?—A. Right.

Q. He wanted direct shipments?—A. Yes.

Q. You have referred to another method of reducing competition, that is by eliminating the smaller wholesale butcher; just how does that operate, will you explain that to the committee?—A. Well, we have in Montreal a very good hog trade, which used to be principally by what we call the local wholesale butchers, who would go on the market and buy anywhere from 100 to 600 hogs apiece. It was a big asset to the producer, inasmuch as these men worked with very small overhead and turned their stock over very quickly, and were back the next day or in a couple of days to buy more stock.

*By Mr. Young:*

Q. Did they slaughter the stock themselves?—A. They put it through the public abattoir, and had it slaughtered, for which they paid 56 cents per head for hogs.

Q. And they have the customers to take the meat?—A. Yes, most of them have what we call local packing plants throughout the city, they are in different parts of the city.

Q. They pack the meat themselves?—A. Absolutely.

Q. Do they export any of it?—A. No, no export. Just wholesale packers.

Q. They don't make bacon?—A. Yes, they make bacon, hams, sausage and all that for the domestic trade.

*By Mr. Sommerville:*

Q. These butchers were in the habit of buying cattle and hogs?—A. Principally hogs.

Q. And having them slaughtered in the public abattoir, and then manufactured in their own plants into products for the domestic trade; now what happened to these buyers, you say that they formed good competition?—A. They were the backbone of our competition. As I said it cost these butchers 56 cents to have the hogs put through the public abattoir. We found that one of the packing houses solicited their trade and told them, you don't have to buy on the market, we will sell you dressed at whatever the hogs cost us on the market, plus 25 cents a head for killing.

Q. That is, the packing house would sell these butchers the dressed hog at exactly the same price as the packing house paid for the live hog?—A. Yes.

Q. Plus 25 cents a head for killing the hog?—A. Yes.

Q. That meant they would save 31 cents on the killing?—A. Per hog.

Q. And they would buy the dressed hog at exactly the same price as the live hog, except for the 25 cents?—A. Oh no, at the same cost dressed—the same rate.

Q. In other words, the packing plant would bear the entire cost of the buying and selling operation, and the handling up to the point of delivery to the wholesaler for this 25 cent charge?—A. Yes.

Q. And the effect of that was, you say, to take these men off the market from buying live hogs?—A. Absolutely.

Q. And to what extent did that remove buyers from Montreal market—in volume, we will say?—A. About 1,500 to 2,000 hogs per week, 1,500 at least.

Q. An average of 1,500 hogs per week over the year?—A. Yes.

Q. And that is the amount of competition that was removed from your market by this process?—A. Yes.

Q. And has that been continuing up to the present time?—A. Up until there was a little turmoil which started over hog grading over two weeks ago, and there was a special effort put forth by the commission men to get some of these men back on the market.

Q. That is, because of a certain turmoil as you call it that happened a couple of weeks ago, the commission men have gone out and tried to bring these men back on to the market to form competition in buying?—A. Yes.

Mr. FACTOR: The conflict seems to be between the commission men and the packers.

*By Mr. Sommerville:*

Q. We will come to that in a few minutes. It was because of this conflict that you found it necessary to go out and bring them in to buy again on the market?—A. Yes.

Q. And I suppose to get them back on the market you had to offer them some inducements.

Mr. SENN: Will you ask the witness what grades of hogs?

*By Mr. Sommerville:*

Q. I am going to come to that, because that is what the difficulty arose over. Now then, Mr. Donovan, as a result of this method by which competition has been eliminated by the packers from the Montreal market, what has been the effect on prices; does the wholesale butcher pay less?—A. He pays less for his dressed hog to the packer, from the larger buyer, who has the control of what is left on the market, and he reduces that price.

*By Mr. Senn:*

Q. I can see this side of the picture; if the wholesale butcher pays less for his product, does the consumer pay less for the product?—A. No, I do not think the consumer does.

*By Mr. Sommerville:*

Q. You do not think it is passed on to the consumer; it does go back to the producer, in any event?—A. It does.

Q. Now then, Mr. Donovan, dealing further with another feature of your exchange that seems to be distinctive; I understand that on all the stock yards, under the Live Stock and Live Stock Products Act, requirements are strict that the sales be reported in all their details when each sale is made?—A. Yes.



Q. That is, the name of the commission firm selling?—A. Yes.

Q. The name of the buyer?—A. Yes.

Q. The character of the animal?—A. Yes.

Q. The weight of the animal?—A. Yes.

Q. The price paid?—A. Yes.

Q. That is put on the ticket at the time the animal goes over the beam scale?—A. And there is one other item put on there, the owner of the animal.

Q. The owner of the animal?—A. Yes.

Q. And all that is put on one ticket?—A. Yes.

Q. And that ticket becomes public property as soon as the animal goes over the scale?—A. Yes.

Q. Now, that is the operation on all the stock yards in Canada except Montreal?—A. Yes.

Q. And you have refused to carry that out?—A. Yes.

Q. Why; or, rather, may I say you put everything on the ticket but what?—A. But the price.

Q. And why do you not put the price on the ticket in Montreal?—A. We have always taken the stand that it was not the opposition's business to know what each one paid for the stock. We have had cases, or feel that we know of cases, where advantage has been taken of this information by some of the larger buyers in order to eliminate small competition.

Q. How is that, just explain that?—A. For example, a man whose business permits him to buy 10, 15, or 25 cattle; that is as far as his business will permit him to go, and he comes in on the market and buys a load of cattle at 4 cents a pound; if that is made public the larger buyers pretty well know what these cattle will yield, and know exactly what they will cost him, dressed.

Q. That is, what the beef will cost him dressed?—A. What the beef will cost him dressed, they also have a good idea of his outlet for the product.

Q. That is, his customers?—A. Yes, his customers.

Q. The retail butchers?—A. Yes, and they will set out to undersell him, and eventually eliminate him from the market.

Q. That is because they can go in and see this ticket; I understand the tickets are all kept in the same house?—A. Yes.

Q. These tickets are kept in the market house, and any person who is a buyer may go in and pick up a ticket and find out what that load of cattle sold for; know who the buyer is, and knowing that you say the larger buyer knows what the cost of that beef will be to the smaller buyer?—A. Yes.

The CHAIRMAN: Are you getting all those answers, Mr. Reporter; they are merely whispers?

The REPORTER: I have been able to get them all so far; they are barely audible.

*By Mr. Sommerville:*

Q. And, knowing the cost of that beef to the small buyer, the large buyer then goes to that man's customers and offer their beef?—A. At something less.

Q. What is that?—A. At slightly less than this beef cost the individual.

Q. By knowing the cost to the small buyer, they can in that way attract his trade and eliminate him?—A. Yes.

Q. That is one way in which this publication of prices, you say, works; what effect has this publication of prices as between larger buyers, can the one packing plant go in and see what the other packing plant has paid for the very first load of cattle they buy in the morning?—A. Absolutely.

Q. And thus they get a line on the price being paid?—A. Yes, they see the cattle, and they see the ticket with the price on it.

Q. And then do I understand that through the stockyards these buyers have runners, men who are running back and forth from the various pens,

who bring information to the buyers that so and so has bought a certain load of cattle, and then the particulars with respect to that load of cattle as soon as weighed over the scale is available to that buyer?—A. That is available to the general public, anybody can get it.

*By the Chairman:*

Q. That is, everywhere except Montreal?—A. Yes.

*By Mr. Factor:*

Q. How many packers are operating in Montreal?—A. Well, there is Canada Packers, Wilsil's, Swift's, George McGarry, Dominion Packing and several others; men who handle from 50 to 150 hogs.

*By Mr. Sommerville:*

Q. I think what Mr. Factor wanted to know was the large ones, and they are Canada Packers, Wilsil?—A. And Swift's.

Q. They are the large ones?—A. You might call the Dominion Packing Company a large one, they handle as much as 2,000 hogs a week and we would not call them a small one; McGarry would buy up to 1,000 hogs a week, and you can't call that one a small one either; and some of these others will take around 500 a week.

Q. Are these the same butchers or packers who were taken off the market for a time, by the sale from the big plants?—A. Yes.

Q. And you have been able to get some of these back during the last few weeks?—A. Yes.

*By Mr. Young:*

Q. How did you get them back?—A. Well, we called a meeting of our Exchange and had them present, and explained to them that we wanted to get their business, and that now that the government and the packing houses had ordered us to take a cut of \$1 per hog on butchers that it might be possible that we could sell them the hogs with a 40-cent or 50-cent cut on the butchers, if they would come around and buy them, and in that way they would save ten or fifteen cents more than the 31 cents they were saving by buying dressed hogs.

Q. You underbid the packer?—A. We sold the hogs on the market for more than the packer would give us.

Q. I say that in selling to these people you underbid the packer, didn't you; he was offering them for 31 cents, or less than the cost of dressing at the public abattoir, and now you are offering them at 40 cents?—A. We were offering the butchers 50 to 60 cents a head more than the packers would give us for them.

*By Mr. Sommerville:*

Q. And still saving from 40 to 50 cents on the differential?—A. Yes.

Q. On the fixed differential the packer would require you to take?—A. On the fixed differential the packer was requiring us to take a dollar per head off; and we were trying to give these men the same hogs for 25 cents or 35 cents less to them.

*By Mr. Young:*

Q. But the packer got these men away from you by giving them the 31 cents, and you would bring them back by offering them 40 cents?—A. No, we did not offer them 40 cents a hog; we got 60 cents more than the packer was giving us for the hog.

Q. I am looking at it from the standpoint of the wholesale butchers; you offered them an inducement to come back?—A. No, not an inducement; we asked him to come and buy these butcher hogs, and that butcher told us that these butcher hogs suited him just as well as any other hog he could buy, and he came back to buy it.

Q. Did you sell him that hog for as high a price as the packer was selling it for?—A. I have no way of telling what the packer asked him; but I do know that we sold the hogs for anywhere from 60 cents to \$1 a head more than the packer would give us for that hog.

*By Mr. Sommerville:*

Q. For the same butcher hog?—A. For the same butcher hog.

*By Mr. Kennedy (Peace River):*

Q. Did you say that the packers and the government tried to force a differential on you?—A. Yes.

MR. SOMMERVILLE: I am going to bring that out right now in full.

*By Mr. Sommerville:*

Q. With reference to this price on the ticket, how does that operate between markets, between the Winnipeg market and the Toronto market? What effect has the fact that the price on the ticket is known to the packer-buyer at Winnipeg?—A. Well, the live stock interests have a trader who is called a speculator. He is under government supervision, bonded and registered with the Department of Agriculture. He makes his living, as a rule, by buying on one market and shipping to another. Take for example a speculator in Winnipeg who sees a load of cattle that possibly the buyers are bidding 4 cents for. He happens to know the Toronto trade or Montreal trade, and he figures he can make a little money on those cattle by giving 10 cents a hundred more and shipping them out. He will probably give \$4.10 or \$4.15 for them in Winnipeg, and ship to Toronto or Montreal, wherever he wishes to. The trouble with it is that by putting the price on this ticket, the man whom he ships to is sometimes notified by the larger packer that John Brown or John Black shipped you last night a load of cattle from Winnipeg that cost \$4.15 a hundred; and before the man who owns the cattle has time to notify the consignee of the cattle, some of the larger packing houses can tell you exactly what they cost. When these cattle arrive in Toronto or Montreal, they know exactly what they cost. It makes it pretty hard trying to get that amount.

*By the Chairman:*

Q. It handicaps the commission man, the seller as against the buyer in that case?—A. It handicaps the producer, the speculator and the commission man; all three are handicapped.

*By Mr. Sommerville:*

Q. In other words, the packer that may have refused to pay more than 4 cents a pound at Winnipeg for these cattle may be the same packer who will be buying them at the Montreal market?—A. Yes.

Q. But he knows what the price paid at Winnipeg is?—A. Yes.

Q. And he communicates to his own buyer at Montreal that information, and that information is then in the hands of his own buyer at Montreal when he comes to deal with you. That has happened with yourself, has it not?—A. Yes.



Q. And on numerous occasions?—A. Yes.

Q. And the first intimation you had of the shipment of cattle to you came from the packer-buyer?—A. Yes.

Q. Who told you they were coming, and the price that had been paid for them by the shipper at Winnipeg?—A. Yes.

Q. And you say that operates in that way, the price on the ticket. May I ask just at this point if there is any arrangement on the Montreal market by which any one packer has a preference in getting into the alleys? We had some statements of that?—A. Not in Montreal.

Q. First come first served?—A. Yes.

Q. As it ought to be?—A. Yes.

*By the Chairman:*

Q. As it ought to be, do you agree with that?—A. Yes.

*By Mr. Sommerville:*

Q. That is, they bid openly and everybody has the same chance?—  
A. Everybody.

Mr. SENN: Could you not carry that a little further, Mr. Sommerville?

*By Mr. Senn:*

Q. There is no arrangement between commission men; is there ever any evidence of arrangement between packers, as to one man going down one alley, or otherwise?—A. No, not outside of their own buyers, where a packing house might have two buyers on the market, and they would arrange for one man to take this alley and another man to take that alley. That is quite all right. But I have no evidence or no knowledge of two individual packing houses making arrangements to buy certain lots of stuff in Montreal.

*By Mr. Sommerville:*

Q. You limit that to Montreal?—A. I limit it to Montreal.

Q. Do you know of it happening on other markets?—A. It is just rumours; I have not got definite evidence of it.

Q. What do you know of the packer-buyers discussing prices before going on the market in the morning? What have you seen?—A. Well, I have seen them talk amongst themselves. They might come at a quarter to eight or ten to eight, the buyers from one packing house and another; but whether they discuss prices or not, I don't know.

Q. That is just before the market opens?—A. We all stand around. I would not say they did discuss prices. We would probably all be ready to go to work at a quarter to eight, and the law does not permit us to start to sell until eight o'clock. Some of those buyers may stand talking to a commission man or may stand talking to another buyer.

*By Mr. Kennedy (Winnipeg):*

Q. Do you suggest there was anything wrong about them discussing prices?—A. No.

*By Mr. Sommerville:*

Q. Now, on the question of grading, settlement by fixed differential has not been the practice on the Montreal exchange?—A. No.

Q. It has been the practice on the other exchanges throughout Canada for some years?—A. The other markets, yes.

Q. What has been the practice of selling on the Montreal market, if it has not been by the fixed differential?—A. Well, we have been in the habit of selling our hogs—all the hogs were sold and everybody received \$1 per head premium on the select bacon hog. With the balance of the hogs, we always claimed the privilege of selling them for the best price we possibly could.

Q. For each grade?—A. For each grade or in bulk, outside of the selects being sold at \$1 premium. If we could sell a whole load for a straight price that netted back more to the producer, we did it.

Mr. FACTOR: Who established that fixed differential?

Mr. SOMMERVILLE: I am going to come to that and bring it out in detail. I just want to get the system.

*By Mr. Sommerville:*

Q. Then your system in Montreal has been selling at a flat rate plus a dollar for the selects, or selling each individual grade as you saw fit, to the best buyer in each grade?—A. Right.

Q. And that has been your practice steadily?—A. Yes.

Q. And how does that compare with the system of selling for a fixed differential, in the return that it makes to the producer?—A. Well, I would say that it returns anywhere from \$10 to as much as \$40 or \$50 per load more to the producer.

Q. Perhaps you could illustrate that with some of your experiences this very week. Take some of Monday's sales, Monday of this week, your own sales?—A. Well, on Monday of this week, I can state offhand that I had one lot of 46 hogs that were all butchers. The packer's price was 8 cents a pound for that bunch of hogs, but I sold them to a local butcher who asked for a bunch of butcher hogs, for 8½ cents a pound.

Q. And on that load the producer got what?—A. Well, \$46 instead of \$1 a head cut. He got that dollar in there, half a cent a pound. They averaged about 200 pounds.

Q. What was the bacon price?—A. 8½ cents. But some of the packers would not buy bacons and selects unless they got the butchers that were in that load, that they had a cut of one dollar per hog.

Q. That is what your trouble has been with the packer recently?—A. Yes.

Q. We will come to that in a minute, but I am just dealing now with this question of differential, the advantage of the method you adopt over the fixed differential of the packer. Can you give us some other experience in your sales on Monday?—A. The same thing applies to all my sales. I had 487 hogs for sale on Monday; and I would say the same thing applies on all the hogs, except probably 120 hogs that I had to clean out in the afternoon to one of the packers, with the dollar per head cut on the butchers.

*By the Chairman:*

Q. You had to do that, did you?—A. It was a case where my customer was there and wanted them sold, and the local trade was filled up for that day, and the only outlet I had for them was to sell them to one of the packers.

Q. And the packer would only buy upon a fixed differential cut?—A. Of one dollar per hog on the butchers.

Q. He was imposing that system on you?—A. Yes.

*By Mr. Sommerville:*

Q. And you say that when you sold your butchers, with the exception of those that remained at the close of the day, you got as good a price for your butchers as you did for your bacons?—A. Yes.



Q. And is that generally the experience on the Montreal market, that your butchers bring practically the same price as your bacons?—A. Butchers have always brought the same price as bacons up until March 12.

Q. March 12 of this year?—A. Yes.

Q. What happened on March 12?—A. Well, about two weeks previous to that, both packers asked our exchange to call a meeting at which they wished to be present.

*By the Chairman:*

Q. You say "both packers"; who are they?—A. Wilsil's and Canada Packers. Mr. Groundwater, representing Canada Packers, and Mr. Law, representing Wilsil's Limited, came to the meeting and advised us that they wanted to put a new scheme of hog-grading in operation in Montreal, on the same principle that it was in all the other markets in Canada.

Q. When you say "hog grading," are you quite correct? You mean differentials?—A. Yes, differentials.

Q. Of course, we know what you mean?—A. Yes, I understand what you mean, differentials in price.

Q. That prevailed on other markets?—A. On other markets.

Q. To be put in force on your market?—A. Yes, on our market.

*By Mr. Sommerville:*

Q. Yes, will you continue?—A. And their suggestion was that the commission men could decide whether they would fix the differential at 50 cents per 100 pounds less for butchers, or to save sorting, one dollar per hog on butcher hogs. Our exchange questioned them about it, and Mr. Law made the statement that he was quite satisfied. We asked him if he was satisfied with the way we had been selling hogs.

Q. Who?—A. Mr. Law.

Q. Representing Wilsil's?—A. Yes. He said "yes." He had no objections to find with the system that we had of selling hogs up to the present, but said that he had been interviewed by an official of the Department of Agriculture who had given him a set of figures to show that the quality of hogs from the province of Quebec had deteriorated and that the quantity had decreased.

Q. Who was this official?—A. As I understand it, it was Mr. Pearsall.

Q. Mr. Pearsall?—A. Yes, and that Mr. Pearsall suggested that this deterioration in quality and decrease in production had been due to the fact that there was no set differential on the butchers.

Q. In Montreal?—A. Yes; and that Mr. Pearsall suggested that they put this in force, and that they had given their word to do it and had intended to try it out. We, as an exchange, felt that the hogs coming to Montreal had not deteriorated but had improved in quality; and we were also of the opinion that when anybody made a statement that the quantity had considerably decreased in the past year, that there was something wrong with it. We made an investigation of it, and this letter here, which was sent to Mr. Weir—it is rather lengthy—covers the investigation that we made.

Q. Will you just read that letter; that sets out the results of your inquiry?

*By Mr. Senn:*

Q. May I ask one question there: Are the hogs actually graded by a government grader on the market?—A. Yes, 100 per cent.

MR. SOMMERVILLE: They are graded, but settlement does not take place on the grade.

MR. SENN: I was referring to the grading itself.

THE WITNESS: Yes.



*By Mr. Sommerville:*

Q. And that grading has been in operation for some time?—A. Since 1921 or 1922.

Q. So that you have always had grading, but the grading was not used for settlement on the fixed differential?—A. No, sir.

Q. You don't object to grading at all?—A. No.

Q. But to the settlement on the fixed differential. Will you just read the letter, please?—A. This is in answer to a letter we got from Mr. Weir, and is as follows:

We have for acknowledgment yours of February 27 and note with interest the explanation put forth regarding the quality and quantity of hogs produced in eastern Ontario and Quebec, and one not familiar with the actual conditions in this part of the country might be inclined to accept same as being correct.

The conditions in western Canada which shows an increase in hog production were such that farmers in the west had millions of bushels of grain which could not be turned into cash in any other way than feeding live stock.

The conditions in eastern Ontario and Quebec which is principally a dairy country were exactly the opposite. The fodder and grain crops have been below average of two or three years and the low prices of hogs was anything but an inducement to increase production. The low prices of other farm products certainly would not permit farmers to buy western grain that might be shipped east.

The banking situation prohibited farmers borrowing to buy feed for live stock and many cases can be listed showing where drovers, rather than ship unfinished hogs which were offered by the farmers, financed the farmer for two or three tons of grain to permit him to properly finish his hogs.

Then again, the farmers of eastern Ontario and Quebec showed an industrious spirit which has to be taken into account, by slaughtering their hogs and marketing them in this way. We contend that they found this a more profitable way to do business owing to the big spread between the price paid the farmer for live hogs and the selling price of pork and pork products.

The total hogs marketed in the province of Quebec for 1932 were 74,457, and for 1933 were 65,760, a decrease of only 8,697 hogs; yet in the city of Montreal alone the farmers of Quebec sold 47,000, country killed hogs in 1933; and while figures are not available, it has been variously estimated that between 75,000 and 100,000 country dressed hogs have been marketed in the province of Quebec during 1933. Therefore we concluded that Quebec has not had a decrease in hog production, but a slight increase; and while figures are not available for eastern Ontario, we believe the same to be true of this district.

At a meeting of our exchange held yesterday morning, Messrs. Law and Groundwater representing Wilsil's Ltd. and Canada Packers Ltd., respectively, informed us that they had no objections to our present system of marketing hogs, but that the Department of Agriculture officials had been forcing them for some time to put the cut on butchers into effect, and that they had given the same officials their word to do this, and for this reason they had to try and live up to their word.

From their attitude one is led to the conclusion that through a verbal agreement between Wilsil's Ltd. and Canada Packers Ltd., Montreal, and the federal Department of Agriculture they had decided to cut all butcher

hogs marketed in Montreal 50 cents per hundred or \$1 per head. The contention put forth to us by the packers and the Department of Agriculture representative that other grades would raise in price does not hold, as proven by sales and bids made to-day.

It is a simple matter here to-day to sell hogs at \$9.50 fed and watered for delivery Saturday, March 10, but to sell them for delivery Monday, March 12, the same buyers offer the same price for bacons and selects, but \$1 per head discount on the butchers. We contend that hog grading as in force has given the packers a hold on the price to be paid the farmer throughout Canada and that there has been but one missing link in the chain and that the Montreal market is that link; and that once Montreal is held down by agreement brought on by the Department of Agriculture, all the hog producers in Canada will certainly be in the hands of a few packers.

In order to get Montreal markets in line, packers here are turning over their invoices covering several loads of hogs purchased in western Canada and allowing local wholesalers to take what they wish; this in order to keep the local wholesalers off the open market here and give the packers the opportunity to lower prices.

The argument put forth by our leading packers practically condemning our hogs as produced in Canada as compared with the hogs produced in Denmark and elsewhere, there may be some ground for their argument when low prices or lack of feed or other causes forced our farmers to market their hogs unfinished; but our farmer is not wholly to blame as was recently proven when the Danish bacon exporters got the jump on our Canadian packers by putting on the market (British) a product demanding the highest price principally because they trimmed their products better and cured their meats to the English taste.

We are striving to equal the price of Danish bacon in Britain, a country which has always demanded a very mild cured product; yet, when one takes into consideration our Canadian products are in transit approximately ten to fifteen days, our Canadian products must have a heavier cure and can hardly be expected to have the same enticing appearance as Danish bacon, which is a mere thirty-six hours in transit.

If your department has no verbal agreement with the above packers to cut butcher hogs, might we ask your department to notify said packers and this exchange to this effect.

Q. Following that letter, did you have a conference with the minister, or what happened, may I ask as a result of that letter?—A. We had a conference with the Minister of Agriculture, yes.

Q. Did he advise you that the department did not have anything to do with the fixing of the differentials below the bacon grade of hog?—A. Yes.

Q. And that the department had nothing whatever to do with the fixed differentials below that grade?—A. That is right.

Q. And that they did not approve of or sanction any official of the department taking any such responsibility?—A. That is right.

Mr. ILSLEY: Have you a letter to that effect?

*By Mr. Sommerville:*

Q. Have you any letter indicating what Mr. Ilsley asked you? What letter have you covering that, Mr. Donovan?—A. I have a letter here from Mr. Barton.



Q. That is a letter from Doctor H. Barton, deputy minister of Agriculture. The letter is dated Ottawa, March 16, 1934, and reads as follows:—

Dear Messrs. Ryan and Donovan.

You two gentlemen apparently interviewed the minister and the deputy minister on behalf of the Montreal Live Stock Exchange?—A. Yes.

Dear Messrs. Ryan and Donovan: This will confirm my conversation with you to-day in regard to hog marketing in Montreal.

It is understood that butcher hogs and other grades can be sold and bought separately, the option to sell any grade of hogs resting with the seller, and the option to buy resting with the purchaser.

Q. That is all you wanted?—A. Yes.

Q. That is everything you wanted?—A. That is all we wanted, the privilege of selling each grade of hogs for all we could possibly get.

Q. The department evidently takes the view that that is your right?—A. Yes.

Q. Then, continuing the letter:—

I am assured that the packers subscribed to this undertaking.

In accordance with the hog grading regulations, differentials are required, but apart from the payment of \$1 per head for select bacon hogs, this department does not determine differentials.

In the interests of the hog industry, this department feels that full advantage should be taken of the provisions for hog grading in Montreal, and the intention is that insofar as may be possible, every effort shall be made to make it effective, in order that the results obtained elsewhere throughout Canada may be reflected in the hog production districts served by the Montreal market.

I gathered that you were in sympathy with hog grading, and I would request your co-operation in this endeavour to improve the hog industry.

Yours very truly,

H. BARTON,  
*Deputy Minister*

That was on March 16. From March 12, when the announcement was made that the packers would buy only on the fixed differential—

The CHAIRMAN: And in lots?

*By Mr. Sommerville:*

Q. And the whole lot. Did they come on the market on the 12th of March?—A. Yes.

Q. And did they agree to buy separate grades, butchers at separate grades, and lights at separate grades?—A. Providing you gave them the whole load.

The CHAIRMAN: And the differential?—A. The differential.

*By Mr. Sommerville:*

Q. What was the differential that they demanded on the 12th March?—A. \$1 per head on butcher hogs or 50 cents per hundred.

Q. What did they demand on the lights?—A. Twenty-five cents a hundred, or 35 cents a head.

Q. A light being about 150 pounds?—A. Yes.

Q. What on the heavies?—A. Half a cent per pound.

Q. Fifty cents a hundred and \$1 a head?—A. No, not \$1 a head; it would come to about \$1.25.

Q. About \$1.25 per head on heavies?—A. Yes.

Mr. ILSLEY: Why do you take March 12?



Mr. SOMMERVILLE: That was the date that the packers announced they would buy hogs only on the basis of a fixed differential. Up to that time they had been buying on the basis that you have been operating on for years?

The WITNESS: Yes.

*By Mr. Sommerville:*

Q. On that date they notified you they would make a change?—A. Notified us about ten days previously that on that day they were making the change.

Q. Notwithstanding the representations of your exchange, they stuck to their resolution?—A. Yes.

*By Mr. Ilsley:*

Q. I do not know whether this is an important matter or not, but there is a matter of credibility here. According to your story, the packers say that an official of the Department of Agriculture advised them to take this step?—A. Yes.

Q. I asked you whether there was any letter which stated that was not the case? Have you any? This letter does not make any reference to that, does it?

The CHAIRMAN: Except it says definitely that the Department of Agriculture does not fix the differential.

Mr. ILSLEY: That is consistent with the decision arrived at on that date, which is March 16.

The WITNESS: I do not just get your question.

*By Mr. Ilsley:*

Q. Let me make it clearer, if I can. You say you were advised at this conference by the packers' buyers that they had been advised by an official of the federal Department of Agriculture to make this change in their buying methods on the Montreal market, for the purpose, as I gathered it, of encouraging the production of better hogs, mainly. Now, you stated in your evidence that the Minister of Agriculture denied it, and I asked you whether you had a letter from him denying that any official of his department had taken that stand. You have not produced any letter up to this moment?

Mr. RYAN: We took that as the answer.

*By Mr. Sommerville:*

Q. I want to clear this point up. Following your letter, you had a conference with the minister?—A. Yes.

Q. And that conference with the minister was on March 16, or the day before, was it?—A. The day before.

Q. And as a result of this conference, the minister intimated to you that the Department of Agriculture took no such stand as to recommend the differential by the packers?—A. No, the Minister of Agriculture and the Deputy Minister were both there, and they took the stand that the Department of Agriculture were in favour of hog grading, and in so far as the \$1 premium on selects is concerned, they must be paid; but they were no party to any case of any of the other grades.

Q. Below the bacon?

*By Mr. Ilsley:*

Q. Did any official of the department so advise them; did they say that?—A. No, we didn't say.

Q. That was your evidence a while ago, or I am greatly mistaken?

Mr. SOMMERVILLE: What he says is the packers told him the official had said that.

Mr. ILSLEY: Yes.

Mr. SOMMERVILLE: They went straight to the minister and the minister said our department does not wish—

Mr. RYAN: Is no party to it.

Mr. SOMMERVILLE: To fix all differentials below bacon?

Mr. ILSLEY: Did the Minister say that any official of their department had taken that stand, or had so advised the packers? That is what I want to know. The effect of your evidence is to make it appear that the packers misrepresented the facts, I would say, fraudulently. They came to you and said they were encouraged to take this course, or told to take this course by the department. As I understood your evidence, you then went to the minister and asked if that was so. The minister said no, it is not so, no official of my department ever told them that, and if they told you that story, they must have been telling what is untrue. Is that the fact? I am trying to get at it, as your correspondence does not appear to have it.

Mr. DONOVAN: As I understand it, a member of the Department of Agriculture admitted to the minister that it was his suggestion to the packer that the buying of these hogs flat had the tendency to decrease the number and deteriorate quality, and it was on his suggestion this new regulation was being put in force.

*By Mr. Ilsley:*

Q. So therefore the packers were not falsifying the facts?—A. No.

Q. When they made those representations to you?—A. No; I would not want to bring that out.

*By Mr. Sommerville:*

Q. I want to follow that through. When it was brought to the attention of the minister, I understood from you, that the minister said that the Department of Agriculture was no party to any such arrangement?—A. No party to any arrangement to discount any grade of hogs.

Q. In other words, the Minister did not agree with any suggestion of any member of his staff; is that the fact?—A. You may take that conclusion. That is the conclusion we came to.

Q. And as a result you subsequently got this letter from Barton?—A. Yes.

Q. From the deputy minister, Dr. Barton?—A. Yes.

Q. Which cleared the air for you?—A. Yes.

Q. That you could sell your hogs on the actual grades on their own value?—A. Right.

Q. And that there was no differential as far as the department was concerned?—A. Yes.

Q. And that is the conclusion you came to as the result of your conference?—A. Yes.

*By Mr. Factor:*

Q. Although an official of his department did actually advise the packers to exact a differential?—A. Not advised them, but suggested that this differential would improve the quality and increase the quantity.

Mr. ILSLEY: Does it do that?

Mr. DONOVAN: No.

*By Mr. Sommerville:*

Q. When this was brought to the attention of the minister in conference, the minister repudiated any such responsibility?—A. Yes.

Q. Or the authority of any member of his staff to do any such thing as that?—A. If you let me explain a little further, I think we can clear this up. At the meeting with the minister and the deputy minister and Mr. Pearsall, we got to the point that the minister explained to his deputy minister and Mr. Pearsall and ourselves, that zero was as much a differential as 50 cents or a dollar. Zero was a numeral, and it was a differential, if you would, or one was a differential. Whether it was zero or \$1 a hog, it was still a differential, and complied with the letter of the law. Now, the minister had an appointment; there was a caucus that morning at 11 o'clock, and it was 11.45 then. He left to go and said he would get in touch with us later. We came back to the hotel, and we did get in touch with Mr. Barton about it, and this is the letter. Then, the next day, after our meeting, I do know, the Department of Agriculture called in the packers from Montreal for another meeting, and then they gave us this letter after that.

Mr. FACTOR: In other words, they changed their minds apparently.

Mr. DONOVAN: I don't know.

Mr. RYAN: Partially changed their mind.

*By Mr. Sommerville:*

Q. The minister, at any rate, repudiated any responsibility?—A. Yes.

Q. From the very outset?—A. Yes.

Q. When he learned that during the week you were at cross purposes with the packers, and the commission men were at loggerheads, somebody called in the packers?—A. Yes.

Q. And as a result this letter was written?—A. Yes.

Q. In which the air was cleared so far as your exchange was concerned?—A. Yes.

Mr. FACTOR: In other words the Minister of Agriculture repudiated the action of his officials?

The CHAIRMAN: Do you not think we have had enough on that phase of the question?

*By the Chairman:*

Q. Mr. Donovan, what is going on now; are the packers still insisting on the differential?—A. Sure. They came on Monday after we got this letter, which was on a Friday. On Monday at eight o'clock, they came to the market to buy hogs, and the price was \$9.50 for bacons and 9 cents for butchers, providing they got full lots. Our understanding with Mr. Barton was when a packer bid us for both selects and bacons and for the butchers, that we could keep the butchers and give him the selects and bacons. We endeavoured to do that on Monday morning, but the packers refused to take them.

Q. Following this letter?—A. Yes.

*By Mr. Sommerville:*

Q. Have they refused to take bacons and selects from you since, unless they got the whole?—A. In some cases yes, but they do make a pretence of it. After they refused on Monday morning, I immediately got in touch with Dr. Barton on the phone, and his department then got in touch with one of the packers in Montreal, and they came out in the market and bought 20 or 30 select bacons from one commission man, and 40 from another, and 50 from another. That did not by any means clear up the market. They made a pretence of following the agreement.



*By the Chairman:*

Q. Have they brought in any from outside Montreal?—A. Yes; since this happened, Wilsil's, who used to buy anywhere from 1,000 to 2,000 hogs on our market, in the three weeks, have not bought 300 hogs.

*By Mr. Sommerville:*

Q. They brought their hogs in from other markets?—A. Where they could get the cuts.

Q. Has that happened also with regard to Canada Packers?—A. They have not been as big a buyer as they were, on our market.

Q. What do you say as to whether or not this differential that has been mentioned does improve the quality or increase the grade of the hogs?—A. I do not believe it has; from my experience, I cannot see how it has.

*By Mr. Senn:*

Q. I should like to ask you this question, along that line. Don't you think that if an inducement were offered to a farmer to bring up his hogs to the grade of selects, or bacon hogs, that he would be more likely to do it if he were getting a lower price for his butchers?—A. I believe that an inducement, a premium might induce the farmer to, and I do not think that a punishment would induce him.

Q. Well then, what is your suggestion? Is it that a price should be set on butchers, and a premium given for bacon and another premium for selects?—A. No. I think each grade of hogs should be allowed to sell for all the farmer can get for them.

The CHAIRMAN: If all the trade using that class is willing to pay for it?

Mr. DONOVAN: Absolutely.

Mr. YOUNG: You say these packers pulled out of your market. What are you doing with your hogs now?

*By Mr. Sommerville:*

Q. When these packers drew out from your market, what did you do? Did you go ahead and sell your butchers?—A. We went ahead and sold what butchers we could to local men who we could get to buy them.

Q. You got a price as good as the bacon price for these butchers?—A. No, 75 per cent of the cases—

Q. You kept the selects and bacons for packers?—A. Yes.

Q. Did the packers leave the selects and bacons with you in any instances for a week or ten days?—A. Yes.

Mr. YOUNG: That does not quite clear it up, Mr. Sommerville.

Mr. SOMMERVILLE: You do not think I have stopped?

Mr. YOUNG: All right.

*By Mr. Sommerville:*

Q. Although we had assurance that they wanted selects and bacons? How did you dispose of the hogs on your market when the packers refused to buy them except on that basis?—A. We started selling them straight. We got some local wholesale butchers who would buy a lot straight, without giving us premiums on selects, and we had to go against the laws of the country, I presume, to sell them straight without premium. We could not keep feeding them.

Q. The packer was fighting, trying to make you come to his terms, and you did the best you could with the hogs on your market?—A. Yes.

*By Mr. Senn:*

Q. I suppose these packers were supplying only the domestic trade?—A. No; Wilsil's export a lot, I understand.

Q. I mean the packers that came in when you were in trouble?—A. Yes, they supplied just the domestic trade.

*By Mr. Sommerville:*

Q. You have been able to clear up your butchers at the price you suggested?—A. Yes.

Q. With respect to bacons and selects, you have kept them for the packers, and have had this difficulty in disposing of them?—A. Yes.

Q. And it continues to this day?—A. Yes.

Q. The packers are bringing in hogs from outside?—A. Yes.

Q. Why do you object to taking a discount on light hogs? You are an experienced man. You have been in the packing business yourself; why do you object to taking a discount on the lights?—A. Probably—I object to the principle of fixing a straight differential on any thing, but a light hog, is worth less, people will tell you; but if you take a packing house list and look it over, my experience—I have worked in a packing house and I have looked all through their lists practically weekly or monthly at least, since, then, and find the product from a light hog is always priced from one to two cents a pound more than the product from what we call a bacon or select.

Q. What do you mean by that, just amplify that?—A. If you take a price list and weed it down you find that light ham is 2 or 3 cents a pound more than the heavier one; the ham that comes from light pork.

*By Mr. Senn:*

Q. You are referring to the fresh meat entirely?—A. Yes, in this country.

*By Mr. Sommerville:*

Q. For the local domestic market?—A. You can take the price of the pork with the foot on—that is the ham before it is trimmed—and this light leg of pork sells for the highest price; if it is trimmed and put into a ham, that ham is still marked up on the price list 2 or 3 cents per pound more than the heavier one.

Q. So that the packer is not passing on to the consumer the differential which he is taking out of the producer?—A. That is what it would appear like.

Q. What objection have you to take to the discount on the heavies?—A. Well, the heavy hog yields from 3 to 5 per cent more than the butcher or bacon hog, being fatter and bigger.

*By the Chairman:*

Q. That is, there is that much less waste in it?—A. Yes, much less waste in the killing process there too, 5 pounds per hundred, in the process of killing.

*By Mr. Sommerville:*

Q. Yes?—A. Then there is the—I do not know how to explain it—trimming of that pork; the butcher hog or the bacon hog will all be light pork, with the skin thin—trims less, as they call it—when they trim these butcher or bacon hogs the strip of skin of fat they take off is from a quarter to half an inch thick, and the only purpose that can be used for is the lard tank, where it is worth from 2 to 3 cents a pound. When you trim a heavy fat hog, you trim off up to 3 inches thick, and instead of that being worth only 2 or 3 cents a pound, and going into the large tank, as in the case of the bacon, or butcher, there is a big demand for fat pork in Quebec and it sells for 18 cents, 22 cents and 25 cents a pound.



Q. That is what you call fat pork?—A. Yes.

Q. And that is in demand throughout the Province of Quebec?—A. Yes.

Q. And that comes from the heavy pork?—A. From the heavy pork.

Q. And it comes from that portion of the heavy which in the light hog, the bacon or butcher, goes into the lard tank?—A. Yes.

Q. And it sells, as you say, for from 15 to 25 cents a pound?—A. From 15 to 25 cents a pound.

Q. As against?—A. Three to four cents a pound for that which goes into the tank.

Q. So that, in the killing there is less waste, and in the product of the hog you get a larger return?—A. Yes.

Q. And that is your objection to taking the discount on the heavies?—A. Yes.

Q. And the advantage of the discount is in favour of the buyer, is it?—A. Yes.

Q. That is your experience?—A. Yes.

Q. With reference to these cuts from these various grades, lights and heavies, do you know anything about a "Cumberland" cut?—A. There is a cut shipped to the Old Country called the Cumberland cut.

Q. And is not that a high grade cut?—A. Presumably so, it is shipped to the Old Country.

Q. And that Cumberland cut, does that not come from the light hog?—A. As I remember it they come from hogs weighing from 140 to 160 pounds, a light hog.

Q. So that the Cumberland cut, both the hams and the sides, come from these light hogs that they now want to discount?—A. Yes.

Q. And is that a further reason for your feeling that the light hog ought to sell on its merits, and not on the fixed differential?—A. Yes.

Q. By the way, do the packers themselves buy quantities of these butchers and heavies; have they bought from you, or asked you to get these for them, or where they could get it on other markets?—A. Yes.

Q. And they have bought them on other markets through you?—A. We have bought them.

Q. You have supplied them, and they used them in their domestic trade?—A. I could not say in what trade they used them.

*By the Chairman:*

Q. I am afraid you did not get all your answers in there, you were merely nodding your head and the reporter couldn't see that?—A. I will speak louder.

Yes, I have been requested by the packers to buy for them—on more than one occasion I have bought for them from 3 to 5 carloads of what we term "cutter hogs" from Western Canada.

*By Mr. Sommerville:*

Q. That is a hog below the bacon grade?—A. That is a hog below the bacon grade.

Q. And you refer to them as "cutters"?—A. Yes.

Q. And apparently they use these in their trade?—A. For their trade in general—for what purpose they use them I do not know.

Q. Now then, what effect did your method of selling hogs on the Montreal exchange previous to March 12 have upon the other hog markets in Canada?—A. Well, the fact that we were selling hogs in Montreal without a cut on butchers had a tendency to divert some of the shipments that were going to plants throughout Ontario to Montreal.



Q. Would that have the effect of raising the price for the producer?—A. It would have the effect of saving them \$1 a head on every butcher hog that they had.

Q. Yes, and you found quantities coming to your Montreal market because of that?—A. Yes.

Q. And now if the differential comes into effect the Montreal market will be in the same case as the other markets?—A. Absolutely. It also had the effect that any producer who might be in the habit of shipping to Montreal, if he put his hog into the packing house in Hull or in Toronto, or different points in Ontario, he then got settled on the Montreal grade; the packers on the other markets would give him the Montreal grade, or in other words would not deduct the dollar on butchers, to keep these from going through to Montreal.

Q. Was that action in favour of the producer?—A. Yes.

Q. What effect have these new regulations had, the sale by fixed differentials, upon the trade and upon you commission men?—A. Well, due to the natural turmoil which is now in effect with our own large buyers, as I stated before, Wilsil Limited have not bought over 300 hogs in the last three weeks on our market, whereas he used to buy from 1,000 to 2,000 hogs a week.

*By the Chairman:*

Q. Does it appear to you, Mr. Donovan—or perhaps Mr. Ryan, who is President; I might ask him this question—does it appear to you, Mr. Ryan, as President of the Montreal Live Stock Exchange, that the packers are seeking to force you to accept this practice of sale on a fixed differential.

Mr. RYAN: It does, Mr. Stevens, it is quite obvious.

*By Mr. Sommerville:*

Q. Perhaps Mr. Ryan could tell us, I understand you were present at a conference of the—what was the council, the Live Stock Council?

The CHAIRMAN: The Swine Council.

Mr. SOMMERVILLE: The Council that appointed the Swine Committee.

Mr. SENN: The Joint Swine Committee.

*By Mr. Sommerville:*

Q. No, the Council that appointed the Joint Swine Committee. You were present, at any rate, at the Council of Agriculture at which the Joint Swine Committee was appointed in 1927; both you and Mr. Donovan were there?—A. Yes.

Q. And at that time the question of the differential did come up; that is, when the differential was changed from \$2 on selects to \$1 on selects?—A. Exactly.

Q. Will you tell us on whose motion was this, or how did it come about; or what was the resolution that was passed by that conference?—A. I have before me here a resolution, No. 5, and it reads this way; that the Canadian Council of Agriculture be asked to name two delegates to be added to the membership of the Joint Swine Committee; consideration was now given to the amount of the differential or spread, and the following resolution was moved by Mr. McLean, seconded by Mr. Wade.

Q. That was Mr. McLean of Canada Packers?—A. Yes. Resolution No. 6: Resolved that the initial fixed differential between the heavy and the thick smooth prices be one half cent per pound.

Q. Yes. Now, was that the only differential that was settled at that council meeting?—A. He said it was.

Q. Was there any other that was proposed, or dealt with at that Council sitting?—A. I do not think so.

Q. You were both present, did you hear of any?—A. No.

Q. We had the suggestion made that the differential was fixed by the Joint Swine Committee, the suggestion was made to us by Mr. McLean; what do you say as to whether or not that is a fact?

Mr. DONOVAN: I questioned one or two members of the Joint Swine Committee and they disowned the baby, they say they had nothing to do with it.

Mr. ILSLEY: Who are the Joint Swine Committee?

Mr. SOMMERVILLE: I have the minutes of the Joint Swine Committee here. The members of the Joint Swine Committee were: Mr. W. A. Amos, representing the United Farmers of Ontario; F. M. Baker, I do not know who he represents; Mr. J. D. Bryan, who represents the Eastern Canada Live Stock Union; Mr. C. M. Learmont, who represents the Western Canada Live Stock Union; R. McPhail, who represents the United Farmers of Manitoba; S. E. Todd, of the Industrial Council of the Packers; Mr. A. W. Peterson, now the Department of Agriculture, Secretary of the Council; and Mr. L. W. Pearsall, the Assistant Chief of the Division of Market Services in the Live Stock Branch, is Chairman of the Joint Swine Committee.

Mr. SENN: Were those the members of 1927?

Mr. SOMMERVILLE: Those are the present members. There seems to be a very peculiar situation with respect to this committee; when the Council met in 1921, they appointed a committee; that committee never had the power to add to, or change its membership in any way, and the committee functioned as a committee until 1927 when another council meeting was held, and at that council meeting these men were appointed, and while applications have been made to have changes made in that Joint Swine Committee, the position has been taken that the council that appointed the committee gave them no authority to add to their numbers, or change, so there are, more or less, permanent officials.

Mr. ILSLEY: What was this committee that appointed them, my memory is that it was designated as a conference.

*By Mr. Sommerville:*

Q. It was a conference; can you give us the name of that, Mr. Donovan?  
—A. It was a conference.

Mr. KENNEDY (*Peace River*): It was a conference called by the Minister of Agriculture in 1927, and held in the Chateau Laurier. Various live stock organizations, and others interested in the marking of these products, were sent there as members.

Mr. ILSLEY: But the first conference was in 1921, wasn't it?

Mr. SOMMERVILLE: The first conference was in 1921, and that was similar in character to the conference of 1927 that appointed this committee. Who constituted the majority of the members there, Mr. Donovan?

Mr. DONOVAN: I would say it was the government officials and the packing house men; about four or five men representing the salesmen throughout the country.

*By Mr. Sommerville:*

Q. About four or five men representing the salesmen?—A. The live stock exchanges.

Q. And the conference consisted of about how many people, 75 or 100?—  
A. I would say between 60 and 75.

Q. And the rest were made up you say of government officials of the Federal and Provincial Departments?—A. And two or three members of the Association.



Q. And the members of the Associations?—A. Yes.

Q. And the packers?—A. Yes.

*By Mr. Ilsley:*

Q. Are there any records anywhere referring to this differential except that resolution you read?—A. There is a reference where they changed it previous to that time; the premium used to be \$2 per head—I had the minutes of that meeting in Montreal.

Mr. SOMMERVILLE: I would like to have the minutes of that conference in 1927. I would like to say, for the information of the committee, that the Joint Swine Committee have never at any time fixed the differential on hogs below the bacon grade; they have been interested in, and have fixed only the question of the premium to be paid for the selects; neither the Joint Swine Committee, nor the Department of Agriculture, have at any time taken any responsibility for, or had anything to do with, the fixing of the differential; that these are entirely the fixed differentials imposed by the buyers, the packing interest.

Mr. ILSLEY: Yes.

Mr. SOMMERVILLE: And they have not, the Committee on Swine, the Joint Swine Committee, or any governmental body in Canada; that is the exact situation, there was some doubt and I am making that statement.

Mr. ILSLEY: That statement you have just made is not what Mr. McLean said, according to my recollection.

Mr. SOMMERVILLE: Mr. McLean, you remember, said it was the Joint Swine Committee which set these differentials; that is not the fact, because we have verified that, not only from the officials of the Joint Swine Committee, but from the governments themselves; it is entirely the imposition of the buyer, it is the buyer's terms upon which he will buy, and he will buy nothing unless he buys them all.

Mr. KENNEDY (*Winnipeg*): Would it not be desirable to call a member of that Joint Swine Committee, and put it on record.

Mr. SOMMERVILLE: That is what we intend to do, Mr. Kennedy, have it cleared up in that way.

Mr. RYAN: I would like to add, before the Committee adjourns, that the commission houses and the members of our Montreal exchange endorse what Mr. Donovan has given as evidence here to-day.

The CHAIRMAN: Thank you, Mr. Ryan.

*By Mr. Sommerville:*

Q. And is the evidence that he gives consistent with your personal experience in the trade, Mr. Ryan?—A. So far as my experience goes, yes.

Q. And when you say that, what limitation is there to that?—A. I have had some 20 years' experience, from the bottom to pretty near the top.

Q. Yes, thank you.

*By Mr. Mullins:*

Q. With your permission I would like to ask the witness a question, Mr. Chairman. How many times have you seen the grades taken on one car of hogs?—A. How many times—what was that?

Q. How many times have you seen one car of hogs graded?

The CHAIRMAN: I think what Colonel Mullins means is, how frequently have you noted that a car of hogs consisting of a number of different grades has been split up into these various grades, and sold in different grades.



Mr. MULLINS: No, I mean one straight car of hogs; how many times has this gentleman seen the grades taken on a car of hogs, by moving it from one point to another?

Mr. SOMMERVILLE: I suppose, Mr. Donovan, we are interested in the differentials more particularly, you are not questioning the grades so much.

The CHAIRMAN: The question which Colonel Mullins has asked is one really which I do not think this Committee is competent to deal with, either in our order of reference, or perhaps the composition of the committee. The question of grades, Colonel Mullins, whether they are justified or not, whether it is properly done or not, or whether any official is competent or incompetent, is something that we cannot deal with; I am sorry.

May I thank you, Mr. Donovan, and Mr. Ryan, for your kindness in coming before us.

The witnesses were discharged.

The Committee adjourned at 1 p.m. to meet again at the call of the chair.

HOUSE OF COMMONS, ROOM 368,

April 10, 1934.

The special committee appointed to inquire into price spreads and mass buying met at 11 o'clock, a.m., the Hon. H. H. Stevens presiding.

Mr. Norman Sommerville, K.C. of Toronto, appeared as counsel for the committee.

The CHAIRMAN: The minutes of the last meeting record merely the witnesses heard, and the usual routine matters. I declare the minutes adopted. Certain documents have been filed and I do not think it is necessary for the Clerk to read them. They are merely formal. The Canadian Packers filed as an exhibit a list of their payrolls as requested by us. In reply to a request by the counsel of the committee, the stockyards filed certain financial statements. There are two letters filed, one from Mr. Neill, M.P., and the other from Mr. McIntosh, M.P., dealing with matters in connection with the routine work of the committee. These letters have been referred to the committee counsel. A summary of livestock marketing by provinces of origin, 1933, was submitted as supplementary evidence by Mr. McCallum as he promised. This will be included in the evidence as if it were given by Mr. McCallum to-day.

Mr. HEAPS: Will these communications be incorporated in the record?

The CHAIRMAN: No. One of these communications includes an advertisement. I do not think we should clutter up the record with that. The advertisement to which I just referred is that of a chain store advertising eggs.

Mr. HEAPS: I thought you said you had received communications in connection with the financial set-up.

The CHAIRMAN: We are placing that in the hands of the investigators and auditors for rechecking. Mr. Kennedy of Peace River has submitted a motion, and before placing the motion before the committee I shall explain the circumstances. Major Douglas is to be a witness before the Banking committee next week, and Mr. Kennedy suggests and makes a motion to the effect that he be called before this committee for the purpose of giving evidence on his theory of price control and its relation to the currency question. I see no reason at all to object to hearing Major Douglas, but I should not think it would be advisable to send for him to come specially before this committee; but inasmuch as he will be in the city attending another committee, I think it would be alright to call him. Mr. Kennedy's motion reads as follows: That Major Douglas be called before the committee on price spreads and mass buying on Wednesday, April 18th.

What is the pleasure of the committee?

Mr. SOMMERVILLE: I was wondering whether we would be able to hear him on that date or not.

Mr. KENNEDY (*Peace River*): He is to be here from Tuesday to Thursday on the Banking committee.

Mr. SOMMERVILLE: I have this in mind: the representatives of the Departments of Agriculture of Manitoba, Saskatchewan and Alberta are meeting to-day in Regina to prepare a united brief, which I expect will be presented next Tuesday and Wednesday to this committee on livestock matters.

Mr. KENNEDY (*Peace River*): Try to work him in.

Mr. SOMMERVILLE: We shall endeavour to arrange some time when it is convenient.

Motion carried.

Mr. H. P. KENNEDY, Toronto, called and sworn.

*By Mr. Sommerville:*

Q. Mr. Kennedy, you are engaged in the livestock industry?—A. Yes.

Q. And you have been engaged in that industry for forty years or more?—

A. Over forty years.

Q. Devoting your entire time to the question of livestock and livestock marketing?—A. Yes.

Q. In that industry you have operated as an exporter?—A. Yes.

Q. To the old country?—A. Yes.

Q. And you have shipped large quantities of cattle to that market from Canada?—A. Yes.

Q. What would be the gross volume of your shipments in any one year?—

A. Practically 30,000, the maximum.

Q. Maximum of 30,000 head a year to the old country?—A. From 10,000 to 30,000 from 1919 to 1926.

The CHAIRMAN: Cattle?

The WITNESS: Cattle, and some one or two shipments of hogs.

*By Mr. Sommerville:*

Q. I understand you made some experimental shipments of live hogs?—A. Yes.

Q. It is rather an unusual thing to ship live hogs to the old country?—A. Yes.

Q. In that connection you have had substantial experience in the export market of Great Britain in relation to cattle?—A. Yes.

Q. Have you also shipped to the continent?—A. Yes, shipped to Belgium, Switzerland and France.

Q. You are familiar with the European market and its needs?—A. Yes.

Q. In addition to your exports to the old country have you engaged in the export business to the United States when that market was open?—A. Quite largely from the year 1897 to the year 1927.

Q. What was your volume run in shipments to the United States, gross?—A. In many years I ran 20,000 to 25,000 head a year.

Q. You had then, a continuous export trade with the United States during those years?—A. Over that period.

Q. Until the market was closed in— —A. 1928.

Q. In addition to that you have operated in Canada and sold largely livestock here?—A. Yes.

Q. You are operating as a livestock commission man on the Toronto market?—A. Yes.

Q. And you have been for some years?—A. Yes.

Q. As the head of a firm there?—A. Yes.

Q. Then, I understand you had something to do with the opening of stockyards in the west for the purpose of central marketing facilities for cattle, had you?—A. Yes; we were instrumental in opening a market in Edmonton in 1916 and in Saskatoon in 1927.

The CHAIRMAN: Stockyards?

The WITNESS: Public stockyards.



*By Mr. Sommerville:*

Q. These are private enterprises, operated by private capital?—A. Private capital.

The CHAIRMAN: Under the Livestock Act?

The WITNESS: Under the Livestock and Products Act.

*By Mr. Sommerville:*

Q. They are still operated as such?—A. Yes.

Q. You are president of these stockyards?—A. Yes.

Q. In these two cities?—A. Yes, president and managing director of each company.

Q. Operating at Toronto, with your headquarters in the commission business in Toronto?—A. Yes.

Q. Then you have had rather a varied experience?—A. Quite varied.

Q. Covering the last thirty or forty years. Now, we have asked you to come and give us the benefit of your knowledge and experience with respect to livestock marketing, and any suggestions you have to make with respect to improvements in the same. Mr. Kennedy, will you be good enough to give to the committee the benefit of your experience and knowledge of the livestock industry, which is now being investigated by this committee?—A. Hon. Mr. Stevens, members of the parliamentary committee and gentlemen, I will be glad to relate any of the experience that you might like to hear *re* present practices in the marketing of livestock and I will endeavour to give you some suggestions which might be helpful in improving the situation as it exists at the present time. I have prepared a brief, Mr. Chairman, and if it is the wish of the committee I would be glad to read this brief first, and then we can discuss it clause by clause later.

Q. Yes. Have you copies for the members?—A. Yes. The cattle industry of Canada is in peril. During the year 1933 prices of all cattle on the different stockyards in Canada were at the lowest point in the history of the trade, and the net return to the farmers was in most cases not more than 50 per cent the cost of production, and in very many cases not even 25 per cent the cost of production.

According to the official government report for 1933, in the month of November the average price per one hundred pounds was \$2.95 on the Union stockyards, Toronto. This would mean to the Ontario farmers, after paying freight and other charges, that they would be receiving for an average beef animal, three years old, weighing 1,000 pounds from twenty dollars to twenty-five dollars, and for a choice butcher steer or heifer 1,000 pounds, thirty dollars to thirty-five dollars.

During the month of October on the Winnipeg market, the average price, according to the government report, was \$1.65 per one hundred pounds, freight and charges from the prairies to Winnipeg would mean, including market charges, that the average net return to the farmer would not be more than one cent per pound, and the farmers for a three years old bullock, weighing 1,000 pounds to 1,100 pounds would not receive over ten dollars to eleven dollars per head, and for the choicest butcher steers and heifers twenty-five to thirty dollars per head. We can quote many other instances where the farmers, after paying transportation and market charges, received less than a half cent per pound back at the farm. On all other markets prices were practically in keeping with Toronto and Winnipeg, allowing for the differences in freight. The reason I quote Toronto and Winnipeg is that they are the two principal markets.

*By Mr. Young:*

Q. On all other markets in Canada?—A. Yes. As it takes four years for farmers to breed and get ready the right class of cattle for the market, it is

self evident that some drastic change must take place in the marketing of cattle in Canada or the farmers will be ruined, and in a great many cases they are in distress to-day. We believe the prices paid by the consumers in Canada during the year 1933 for meat products were not in keeping with the extreme low prices the farmers were receiving. We are convinced that no general prosperity can come to Canada until such time as the farmers are placed in a position, whereby they can receive a reasonable profit on their production. If the farmers are prosperous they are in a position to pay their bills to the country, to town and city merchants, and the circulation of money is increased through every Department of Trade and Commerce. The farmers' and consumers' interests are identical. The consumers realize that the farmers' net returns on all classes of live stock must be such as to give them a minimum wage for their production. We desire to submit certain suggestions with a view to improving conditions as they existed in the year 1933.

The Live Stock and Live Stock Products Act, when adopted, was a progressive measure to insure proper marketing for live stock in Canada through stockyards established at strategic points across the continent, and at that time a very large percentage of the cattle was sold through these public markets by expert live stock commission men, representing the producers.

The legislation was adopted to protect the producers, and was expected to affect the price of all live stock sold in Canada. In order to protect the farmers, regulations provided that commission men should be bonded to the Dominion government; that all cattle should be weighed over a government scale on a type-registering beam; that all weights and prices should be shown on the weigh-ticket at the time of sale; that such information should be made available to the Dominion government representative, through whom it is made available to all markets in Canada immediately.

This information so forwarded contains only the available supply of live stock on the market, which is far from being a true picture of the total available supply. In connection with this we attach Appendix A showing the percentage of live stock marketed direct to packing plants in each province, and the percentage marketed through public stockyards. We also attach Appendix B showing the percentage of live stock bought direct by the two large packers in Toronto, and the percentage through the public stockyards.

You will note by these appendices that the trend recently has been to increase shipments of live stock to packing plants. This is largely accounted for by the development of truck shipments, the truckers not being subject to the same legislation as the commission firms on the public market. Another reason for the trend toward direct shipments to plants has been the eliminating of several plants and the merging of others, so at the present time the buying power of live stock in Canada is largely controlled by a very limited number of packers.

The present method of purchasing live stock in operation by all packing plants contemplates two sources of supply; (a) Private purchase; (b) Public market.

We, therefore, submit that direct buying may be called a method of securing live stock supplies designed to favour the buyer. When the processor resorts to this method he does not patronize the method of marketing which the producers of live stock industry have built up for the sale of their products, and he avoids the bargaining power which has been created for the producers on the competitive market. By direct purchases the buyer avoids the competition of other buyers, and as a rule the shipper accepts the price marked on the sale ticket at the plant where he delivers his live stock direct.

If the salesman on the market knew the size of the packers' private purchases and prices paid for the same, he could, knowing the total available supply, use his expert judgment in getting the best price possible for the



producer. Not knowing the quantity already purchased by the packer, the expert salesman is handicapped. The packer has the advantage.

The percentage of live stock marketed through public stockyards, and the percentage marketed direct, is available in the government reports; but the approximate percentages of the different classes of live stock bought direct by the two large packers in Toronto for the years 1932 and 1933 are shown on the attached Appendix B.

In Edmonton in the year 1932, over 95 per cent of all live hogs slaughtered in Edmonton were bought direct in the packing plants, and less than 5 per cent of their slaughter bought on the public market. For the year 1933 in Edmonton, approximately 70 per cent of all cattle and calves slaughtered were bought direct by the packing plants and only 30 per cent upon the public market. The public market is the only place that official prices are published daily.

The farmer is an individual who is not an organized unit either for buying or selling, and therefore has never been able to cope with an organized buyer. Governments have all recognized this, and the Department of Agriculture have been most anxious to protect the farmer by establishing markets where he might meet the buyer on a competitive basis. The public market has always been the farmers' best friend. There his organized selling agency, the live stock commission firms, can and do use their expert knowledge of conditions to bargain with and offset the effort of the organized buyer. An organized buyer going direct to the country to buy live stock is always at an advantage, and his intimate knowledge of market conditions is used to his benefit and not to the benefit of the farmer.

The live stock bought in this way, shipped direct to the packing plants, places the buyer in the independent position of not needing to be an active buyer on the public market, and the price established on the public market under these conditions does not reflect the competitive prices that would be secured if all available live stock were offered in open competition. If the live stock that is moved each week end direct to the packing plants were moved through the open competitive markets and the buyers did not have any supplies in direct to their plants, and the expert salesman had the latest information as to values in all outside markets, the competition would be such on the open market each Monday that, in our judgment, 1933, price levels would have been at least \$1 per hundred pounds higher on all classes of live stock over the entire period.

It is absolutely useless to attempt to provide aid for agriculture and live stock unless you safeguard at the same time a fair competitive market to our producers, in which all interests must compete on a fair basis for the quality of live stock that they have need for.

The public market must be conducted in such a way as to reduce charges to the minimum, both as to stockyard charges and charges by commission firms. These charges will always be based on the volume passing through the public market, as neither stockyard company nor commission firm have anything to sell but service. The public market may either be controlled by the Dominion government as a public utility or by private ownership with charges controlled by the government, and all operations on the market must be conducted in such a way as to give the farmer the best competition on all the grades of live stock.

Anything which reduces or impairs competition reduces the value of that market. What are the things which, under the present system, militate against that public market? The most serious are: (1) The fixed differential on live hogs, which automatically reduces competition on the separate grades of hogs as is noticed by the statement furnished to your committee.



*By Mr. Sommerville:*

Q. When you say, "as is noticed by the statement furnished to your committee," you refer to a statement you have?—A. Yes, I have a statement.

Q. And which you will furnish?—A. Yes, I will refer to that. I will refer to it now, Mr. Chairman, if you like.

The CHAIRMAN: No, just go ahead, Mr. Kennedy.

The WITNESS: (2) Direct buying at country points for shipment to packing plants. With approximately 75 per cent of the hogs marketed in Toronto going direct to the packing plants, what chance has the salesman, representing the farmer, to influence the price on the public market? If all hogs being marketed in Toronto were offered through the public market and sold on a quality basis by expert salesmen, the farmers would get the value of their hogs in keeping with a much greater competition than under the present system.

In our recommendation we have stated that sale of all live stock by public auction should be made optional on any market and before putting the system into operation that it simply need the approval of the commission and co-operative salesmen, representing the producers, and the stockyard proprietors. At the end of October, 1933, all commission salesmen and proprietors at the stockyards, Edmonton, decided to have live hogs sold by public auction. It was decided not to interfere in any way with the government grade, but as the hogs were graded that each grade be weighed and yarded separately under the heading of the commission firm selling the hogs; that these numbers of each grade be placed on the bulletin board in the Livestock Exchange building and that a sale by public auction be conducted in the exchange building commencing at a certain hour in the afternoon each day. Attached is Appendix D, showing just how this system would be carried out.

Because of the fact that the commission salesmen and proprietors of the stockyard company did not have the controlling vote of the Livestock Exchange, this system of selling has been held in abeyance.

The system was explained to the head of one of the large packing companies, and the first comment of the packer was that if we established that system of selling on the Edmonton market, the stockyard company would not have facilities to accommodate the trade. The present increased facilities which were provided at the request of the Dominion government are only being used to about 25 per cent of the daily capacity. While the change of system would mean considerably more work to the stockyard company and also to the commission firms, there would be no additional charge to the farmers for the extra services rendered.

The system of selling hogs under any kind of fixed differential is entirely wrong. Under such a system the almost universal practice has been that the packers on every yard have insisted that they must have all the grades in a shipment, if they take any. This is the best evidence that the fixed differential operates in favour of the packer; otherwise, he would be content to buy the grades that he actually needed from time to time, and leave other grades to other buyers whose competition would improve the prices of these other grades. The system of selling by fixed differential makes possible three results: (1) It concentrates buying in the hands of the large packers who have the facilities to use all grades, as against the smaller packer and local wholesale butcher who will only use some grades but does not want and cannot use all the grades; (2) The small buyer and wholesale butcher who can use butchers and lights for domestic trade has no place now to go for his requirements, unless he takes all the grades in the shipment. These, he cannot use to the same advantage as the large packers. The result is that the large packers have the advantage over the local buyer and wholesale butcher, who has to come to the packer for his products which are sold to him as dressed pork or pork products or cuts

without any regard to this fixed differential grading. (3) It operates to perpetuate direct shipments to plants as against selling in the public markets on a graded basis. The farmer, under the present system, is encouraged to believe that, however the hogs are graded out, he must accept the fixed differential, and that there is no competition in the public markets for those grades below bacon grade hogs.

On March 19th I wired from Ottawa to the manager of the Edmonton stockyards to find how the differentials were fixed on the Edmonton market. The reply was as follows:

EDMONTON, ALTA., 19th March, 1934.

H. P. KENNEDY,  
OTTAWA

Differentials Edmonton same as Calgary and are set by Alberta packers and changed by them whenever they think fit without regard any particular time but governed by price bacons (stop) If commission firms have coast orders not wanting sows and heavies they can always get premium over local packers cuts, if cuts are sold to outside packers and butchers, but, if local packers buy the hogs they demand all including cuts at their differential.

The foregoing three results may be entirely altered by a very slight change in the system of selling hogs. The government have very properly encouraged the development of select hogs, and in order to take full advantage of the quota granted in Great Britain further encouragement, we believe, should be given especially in the marketing end of the select and bacon hogs suitable for the English market. Under the present grading system the bacon hog establishes the basic price, and the select hog is paid a premium of \$1. All grading under bacon are sold at the fixed differential.

We believe that, when hogs are graded ready for sale, each grade should be sold separately; and we do not believe that, after hogs are graded, they should be again mixed so that the select and bacon lose their identity as to grade. If the select hogs were sold as selects in open competition separately from all other grades, they undoubtedly should bring more than the present premium. I have been informed by a large packing company that frequently, if selects could be secured as selects, the premium could easily run at times \$3 per hog. As practically 90 per cent of the hogs marketed are used for domestic use, we believe the buyers who buy for domestic use only should have the privilege on the open competitive market of buying the grade of hog suitable for their particular trade. (See quotations Appendix C.)

I would urge, therefore, that every grade be sold on its grade on a quality basis in open competition; further, that the salesmen on the public markets be put in a position under a revised system of marketing to make use of the competition for each separate grade to get the best possible price for the farmers for each grade. It is evident that under such a system each grade would prove its own value being sold in open competition, and would bring much more than they do in the present fixed differential system.

We recommend in conclusion the following:

1. The creation of a livestock marketing board to control the entire marketing of live stock from the farmers to the final markets, and to protect the interests of both the farmers and the consumers, this board to have power to fix a minimum price on best grades of live stock which would give the farmers a minimum wage.

2. The board could arrange for continuity of export shipments, which would tend to stabilize domestic prices and also ensure that only cattle of the standard and type required in Great Britain be exported; the same regulations to apply to bacon hogs.



3. That all buyers of live stock within a radius of twenty miles of established stockyards purchase their supplies in open competition on public markets. This regulation does not apply to farmers and ranchmen who wish to export their cattle direct to markets outside of Canada.

4. That all commission firms holding licenses be required to sell all their live stock on the public markets.

5. That commission firms and co-operative salesmen, representing the producers, be organized as a separate body that they might be able to function in the interests of the producers without their powers being nullified by other members of the Live Stock Exchange who control the majority vote, and are not representing the interests of the live stock producers.

6. (a). That where packing plants are at present established in cities where no stockyards exist, the same regulations as apply to stockyard companies and commission companies as to providing facilities for the competitive buying and selling of live stock, weighing, publishing of receipts and prices at time of purchase, be applied.

(b). That all truckers handling farmers' funds and all export agents be bonded to the Dominion government, the same as live stock commission salesmen.

7. That sale of all live stock by public auction be made optional, and when put into operation in any market that it be only necessary to be approved by stockyard proprietors, and commission salesmen representing the producers.

Under the agreement with Great Britain whereby Canada is given a certain quota in the exporting of bacon, we can still increase our export shipments by the bacon from approximately 2,000,000 hogs over the 1933 figures. Therefore the marketing board, if appointed, should be given the power, if they see fit, in checking the spread from the farmers to the ultimate consumers, to establish new units for the processing of all classes of live stock. If an economical unit were established—one in each province on the public competitive market—from figures given by experts these units could be established at a conservative estimate of \$200,000 each, each unit taking care of 2,000 hogs and 500 cattle per week. These plants could process the exact quality of bacon required for the British market, and see that the net return would only provide the actual cost of processing and reasonable interest on capital invested. These plants would also take care of all by-products.

The establishing of these units under the most efficient management, and operated in the interest of the producers on the public competitive markets, would give the farmers a competitive price at the time of purchase and would create a feeling of confidence throughout the entire country that they were getting the fullest net returns for their product.

These plants, under the control of the marketing board, could arrange to remove surpluses from the market by handling the canners and inferior grades of live stock and marketing the product through other sources.

*By the Chairman:*

Q. In that paragraph, you are speaking of cattle as distinct from hogs?—

A. Yes, as distinct from hogs. This class of meat should be segregated completely from regular packing house products and sold exclusively as concentrates for animal and poultry food for domestic and export trade. If this were done the general public would also have the confidence that inferior grades of meats had been removed from the consumers' market.

That a live stock commissioner under the marketing board, who is experienced in the marketing of live stock, be appointed at each of these five markets, whose duties would be to consult daily with the trade; and that the commissioner hold a conference on Thursday of each week with the representatives of packing companies, wholesale butchers and commission companies and co-



operative salesmen representing the farmers, in order to discuss the latest prices, prospective demand and supplies, and get the fullest co-operation of all interests for the orderly marketing of live stock for the coming week.

The CHAIRMAN: Now, Just a minute; I think the best plan would be, Mr. Sommerville, to have brought out the substance and the meaning of these appendices.

*By Mr. Sommerville:*

Q. First of all, with Appendix A, I understand that this is a summary of live stock marketing by provinces of origin for the year 1933, as applied by Mr. MacCallum to this committee?—A. Yes.

Q. This report shows

—	Alberta	Saskatche- wan	Manitoba	Ontario	Quebec	Total
<b>CATTLE—</b>						
Shipped to Stockyards...	85,042	111,824	77,398	289,167	24,614	588,045
Direct to Packers.....	37,713	6,807	8,266	40,982	7,598	101,366
Total.....	132,755	118,631	85,664	330,149	32,212	689,411
Per cent direct.....	30.72	5.74	9.65	12.41	23.59	14.70
<b>CALVES—</b>						
Shipped to Stockyards...	13,703	30,092	27,502	149,963	89,429	310,689
Direct to Packers.....	21,492	1,237	6,552	36,352	10,630	76,263
Total.....	35,195	31,329	34,054	186,315	100,059	396,952
Per cent direct.....	61.06	3.95	19.24	19.51	10.62	19.71
<b>HOGS—</b>						
Shipped to Stockyards...	344,321	285,754	122,175	375,447	44,270	1,171,967
Direct to Packers.....	687,848	204,545	122,202	981,492	21,498	2,017,585
Total.....	1,032,169	490,299	244,377	1,356,939	65,768	3,189,552
Per cent direct.....	66.64	41.72	50.00	72.33	32.69	63.26
<b>SHEEP—</b>						
Shipped to Stockyards...	68,566	54,216	40,643	184,343	124,218	471,986
Direct to Packers.....	90,513	10,947	21,158	56,716	21,210	200,544
Total.....	159,079	65,163	61,801	241,059	145,428	672,530
Per cent direct.....	56.90	16.90	34.23	23.53	14.58	29.82

Q. There are packing plants in Alberta?—A. Several.

Q. And they are located, two at Edmonton?—A. Edmonton and Calgary.

Q. Therefore, these shipments would be shipments largely to the packing plants in Alberta?—A. Yes.

Q. Now, with respect to Saskatchewan; I observe that in the matter of direct shipments to packers for cattle in 1933 that these amounted to 5.74 per cent?—A. That is correct.

Q. Is it a fact that there is only one packing plant in Saskatchewan?—A. Well, there are more; there is one large packing plant in Moose Jaw, and there is a packing plant in Prince Albert; they are the two principal plants.

Q. None of the large packing plants in Saskatchewan, such as there are in Alberta?—A. No.

Q. That would mean that a smaller number of cattle were shipped direct to packing plants in Saskatchewan?—A. Well, the surplus of cattle in Saskatchewan moves to Winnipeg and Eastern markets.

Q. And they may have gone through Winnipeg direct to packing plants?—A. They may have.

Q. I observe that Mr. MacCallum adds this statement to these figures:—

“Figures for Cattle, Calves and Sheep direct to Packers are below the actual totals of these shipments as all Plants were not reporting their direct

purchases to the Live Stock Branch in 1933?"—A. It has been very difficult to get "direct shipments" in many cases, of cattle and other classes of livestock outside of hogs.

Q. Because they were arriving direct?—A. Because they were not graded, hogs were graded, therefore we could get those figures.

Q. Mr. MacCallum goes on to say: "Figures for Hogs are, of course, complete by reason of the fact that Hog graders report all Hogs graded at yards and plants?"—A. That is correct.

Q. And therefore, you will observe the shipments of hogs are complete, and are very large direct shipments to packing plants?—A. The percentage in all cases is much larger than for other classes of livestock.

Q. Yes, that is the total hogs for the whole of Canada shipped direct to plants, 63·26 per cent, apparently went to the packers and not to the stockyards?—A. Not through the markets.

Q. Almost two-thirds of the entire production of hogs slaughtered in the packing plants?—A. Approximately.

Q. Now, let us take schedule B: this is a statement, at Toronto, showing the approximate percentage of the different classes of livestock bought direct by the two large packers in Toronto for the entire year 1932?—A. Yes, the figures for 1932 were taken because they show the increase of direct shipments in 1933.

Q. There has been a substantial increase, has there?—A. The figures show that.

Q. Appendix B shows—

#### LIVESTOCK BOUGHT DIRECT BY TWO LARGE PACKERS IN TORONTO

The approximate percentage of the different classes of livestock bought direct by the two large packers in Toronto for the entire year 1932 are as follows:—

Cattle	Calves	Hogs	Sheep
14·2/5%	24·2/5%	64·4/5%	37·3/10%

The balance was bought on the *open market*, as follows:—

85·3/5%	75·3/5%	35·1/5%	62·7/10%
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The approximate percentages of the different classes of livestock bought direct by the two large packers in Toronto for the entire year 1933 are as follows:—

#### Canada Packers—(Direct)—

	Head	
Cattle.. . . .	52,300.. . . .	..33·60%
Calves.. . . .	35,300.. . . .	..54·81%
Hogs.. . . .	306,000.. . . .	..74·17%
Sheep and Lambs.. . . .	76,000.. . . .	..46·20%

#### Canada Packers—(Through Stockyards)—

	Head	
Cattle.. . . .	103,300.. . . .	..66·40%
Calves.. . . .	29,100.. . . .	..45·19%
Hogs.. . . .	106,500.. . . .	..25·83%
Sheep and Lambs.. . . .	88,500.. . . .	..53·80%

#### Swift & Company—(Direct)—

	Head	
Cattle.. . . .	15,000.. . . .	..18·09%
Calves.. . . .	9,000.. . . .	..27·19%
Hogs.. . . .	90,100.. . . .	..60·69%
Sheep and Lambs.. . . .	58,700.. . . .	..51·62%

#### Swift & Company—(Through Stockyards)—

	Head	
Cattle.. . . .	67,900.. . . .	..81·91%
Calves.. . . .	24,100.. . . .	..72·81%
Hogs.. . . .	58,400.. . . .	..39·31%
Sheep and Lambs.. . . .	55,000.. . . .	..48·38%

Q. I observe that there were larger direct shipments to Canada Packers than to Swift and Company?—A. Yes.

Q. Is there any difference in the policy of these two packers with respect to the encouragement of direct shipments?—A. I would say yes.

Q. From your knowledge of the packers themselves, and their attitude towards the stockyard?—A. Yes, at Toronto.

Q. Would you say that Swifts are more favourable to buying on the public stockyards than Canada Packers?—A. They apparently are.

Q. Dealing with Appendix C, you might just go ahead and show us the significance of this appendix, Mr. Kennedy; perhaps you will explain to this committee the significance of that appendix?—A. I say in my brief at page 7, "As practically 90 per cent of the hogs marketed are used for domestic use, we believe the buyers who buy for domestic use only should have the privilege of the open competitive market of buying the grade of hog suitable for their particular trade." Now, I have the original letters (which are confidential) which were sent out by the commission houses in Edmonton, asking their opinion as to selling hogs on separate grades.

Q. Asking whose opinion?—A. Asking the opinion of the independent packers and the wholesale butchers. These are paragraphs from the replies received:

## APPENDIX C

### QUOTATIONS FROM SUBSTANTIAL PACKING HOUSE BUYERS IN REPLY TO QUERY RE SELLING EACH GRADE OF HOGS SEPARATELY ON THE EDMONTON MARKET

#### *Montreal*

For our purposes butchers, bacons and heavies are most suitable.

#### *Hamilton*

We see no reason why this should not work out, as in the case of ourselves there are some weeks when we are in the market for heavy and extra heavy hogs, and there are other weeks when we are in the market for light butcher hogs. If at any time you have a surplus of these kind of hogs we would be very glad to submit a bid if you will get in touch with us.

#### *Vancouver*

We must say the suggestion of selling hogs on grade certainly appeals to us as is probable in the case of most other buyers. We would only be in the market for butcher and bacon grades, in the proportion of three cars of butchers to one car of bacons, and in this case we would like to get your view on the probable market for the select grade. If we could be sure of getting a straight car of butcher hogs, we would even consider paying a small premium on them.

#### *Vancouver*

The proposition of sorting out the hogs into the different grades—selects, bacons, butchers, shops, etc., is strictly first class. I often wondered why this was not done before.

#### *By Mr. Factor:*

Q. With respect to the Hamilton letter, you say that you see no reason why this should not work out; what do you mean by this "work out"?—A. We had decided to put in an auction system in Edmonton, the commission men had all agreed to it, and then the commission men sent these letters out to the trade to get their opinions.



*By Mr. Sommerville:*

Q. That is, to sell each grade separately?—A. By separate grades.

Q. On the true quality and at a competitive price?—A. At a competitive price.

*By the Chairman:*

Q. And this packing firm in Hamilton stated that they would be willing to buy from the Edmonton yards if that system were inaugurated?—A. If they could get just what they wanted for their particular trade.

*By Mr. Sommerville:*

Q. Now, in addition to the letters to which you have referred in discussing this matter with the trade and with the independent purchasers, what do you say as to the merits of selling hogs on a quality basis by separate grades as against the fixed differential?—A. Well, gentlemen, I think the salesmen on all markets are a unit that when the farmer has live stock to move to the market he should be able to get the last dollar for that live stock, whatever grade of live stock it was, sort it out and sell it on a quality basis and give the last net return possible to the farmer. That is the salesman's job, we should not be tied by any strings of fixed differentials. Take on the Toronto market, we are only getting 25 per cent of the total receipts of hogs coming to Toronto on the public market, and of that 25 per cent I would say over 20 per cent—considerably over 20 per cent—goes to the large packers on the market. The salesman has no opportunity to sort out butchers, lights or any grades under bacons, and sell them because the packer demands all the hogs.

Q. What do you mean by all the hogs?—A. All in the load.

Q. All the different grades?—A. Yes.

*By the Chairman:*

Q. Or he won't buy?—A. Or he won't buy.

Q. Now, Mr. Kennedy, in your brief you made the statement—correct me if I am mis-stating it—that these butcher buyers and ordinary distributors other than packers find it difficult to get what they want on the market, and because of that they were compelled to buy the slaughtered hogs off the rail from the packer; could you elaborate that just a little?—A. Well, this system of selling live hogs on the fixed differential has been in practice so long that the salesmen on the public market, as far as selling live hogs is concerned, has to do the best he can under the circumstances. The salesmen all the way along the line disagreed with the policy of selling hogs under bacon grade at a fixed differential, but they were doing so much business with the packers they could not off-set the present system.

Q. Well now, just a moment ago you said that 75 per cent went to the packers direct; that 25 per cent came with the market; and that of the 25 per cent which came to the market, 20 per cent was taken by the packers, leaving 5 per cent?—A. That is approximate, I would say over 20 per cent.

Q. Now, if the other buyers only take 5 per cent of the available supplies of hogs coming into Toronto, they don't amount to much. Now, the question I asked a moment ago would apply to this; do the butchers and the distributors buy very much larger quantities than that 5 per cent?—A. They buy largely from the packers.

Q. That is what I am getting at, and I would like for you to elucidate that a bit; for instance, is it because of the packers' practice that the ordinary butcher cannot buy on the central market?—A. I would make this statement, that the selling of live hogs on a fixed differential is in the interests of the large packers who have a market for all grades, and because they have a market for all grades they insist on getting all grades; and they say to the wholesale butcher, you

come to the plant and we can sell you all your dressed pork instead of you buying it and having to have it slaughtered, we can sell you dressed pork as cheaply as you can buy it on the market.

Q. As a matter of practice, does the butcher do that?—A. Yes.

Q. To a large extent?—A. To a large extent, in Toronto.

*By Mr. Sommerville:*

Q. That takes the competition of the wholesale butcher from the stock-yard?—A. Yes.

Q. And thereby reduces the amount of competition for the hogs that are remaining on the market?—A. That is quite right.

Q. And that is to the advantage of the large buyer again?—A. Yes. The situation in Edmonton is entirely different because there are a great number of wholesale butchers and small packers in British Columbia, and they are keenly anxious to buy just what suits their trade.

Q. They are not interested in the British export trade?—A. No, I think there are none of them—I am not sure, but I think not.

Q. Therefore, they are not as much interested in selects which would be required for export trade?—A. No.

Q. And they require grades for domestic use?—A. That is right.

Q. And for the domestic fresh pork trade they can use heavies and lights to just as good advantage as bacons?—A. That is right.

Q. And therefore, you say, they would be willing to pay more for the heavies and lights and these other grades than the packers who demand to get them all at the fixed differential?—A. That is their testimony in all of the letters which we have received.

Q. In the course of your brief you refer to the fact that you had had some discussion with one large packer about the new system in Edmonton; would you just indicate what that was?—A. I had explained the system in Chicago to the head officials of Swift, what we intended to do in Edmonton. You will notice by the statistics that Alberta is the second producing province in Canada as far as live stock is concerned; last year they produced and marketed over 1,000,000 live hogs. The officials that I discussed the matter with, when in Chicago, I explained that we would sort them out into the separate grades and sell each one on their grades. I said, what do you think about it. The reply was, there is no one, as far as we could see, who could object to that system. Our buyers would be glad to bid on each grade and take all the grades, if our bid was the best. I said yes. Well then, we cannot object to the system, but we do not dictate the policy of buying in Canada from Chicago. That is determined by the Canadian management. Therefore, I discussed it with the head of Swift's, in Edmonton. He would not commit himself as to what he thought of the system, except to say that if we did that, we would not have facilities to accommodate the market.

Q. What does that mean; what facilities are there now?—A. Our capacity for hogs is 40 cars daily; our capacity for cattle is 200 cars.

Q. What does 40 cars of hogs represent?—A. Practically 3,000 or 3,500.

Q. A day?—A. A day, but we can increase that very materially at very little additional expense. We are only using about 25 per cent of the capacity of the hog plant at the present time.

Q. And the impression that was given you by this official was with that system in operation, it would increase the shipments to your stockyards to such an extent that it would use your whole available supply, or you would not have accommodation for them?—A. We would have to increase the facilities.

*By Mr. Kennedy (Peace River):*

Q. Is it your opinion that the wholesale butchers would rather buy at the yards than work through the packers provided they could buy the kind of hogs they want?—A. No question in my mind.



*By Mr. Sommerville:*

Q. Is it a fact that the wholesale butcher who buys in the packing plant is in competition with the packing plant in selling to the retail trade?—A. Yes.

Q. Do you know, or would you be in a position to tell us whether or not the packers' salesmen say to the retailer, why don't you buy from us, because the wholesaler has to buy from us direct?—A. There are other witnesses that are operating, smaller wholesale men, who if they were called to give evidence here, could explain that much better than I can.

*By the Chairman:*

Q. It is hardly a fair question to put to you?—A. No, my business is finding the best market possible for livestock.

*By Mr. Sommerville:*

Q. At any rate, the wholesale butcher who buys from the packer and sells to the retail trade, is competing with the packer in the same trade?—A. Yes.

Q. The effect of the business is to remove the competition from the market?—A. Yes.

Q. You say that is due to the fixed differential that is now in force upon the market?—A. Yes. If you just allow me to refer to this other part of the brief at this time, I will explain it to you.

Q. You have an addition to the first brief?—A. Yes. I am not going into the figures, but I wish to say that in preparing this statement—there are three commission firms operating on the Edmonton market—I am referring now to the Edmonton market and comparing Edmonton with Montreal.

Q. The statement that you are now submitting will be read into the record as a comparison of the sale of live hogs month by month from November 1932 to January 1934, between the Edmonton market and the Montreal market?—A. Yes, I think January 10th was the time that this was prepared.

Q. And this is a comparative statement? Perhaps you will explain it in your own way.—A. I will explain just what I did. In preparing the evidence for this committee, as far as figures are concerned, I wanted to get the actual facts in order to give a true picture to every member of this committee, of just what takes place over a period of a year or fourteen months. Therefore I wrote to three commission firms in Edmonton, and asked them to send me two representative carloads of hogs, an actual sale copy of their concerns from November 1932, to January 10th, 1934.

Q. Every month?—A. Each month. That gives me six different months from the three.

Q. Then, you got these representative sales of hogs from these firms on the Montreal markets, as sold by them according to the fixed differential?—A. That is right.

Q. Which has been referred to?—A. That is right.

The CHAIRMAN: May I interrupt here? In order to make the record clear, we shall insert at this point the witness' comparative statement and then ask the witness to make his comments so that when we turn up the record we will know what he is talking about.



EDMONTON					MONTREAL					
Grade	No.	Weight	Price	No.	Grade	Weight	Spread per 100 pounds	No.	Weight	Price
November 2, 1933—		lb.	\$ cts.			lb.	\$ cts.		lb.	\$ cts.
Selects.....	17	3,640	3 15	45	Select and bacon..	9,150	1 05	90	November 11, 1932	4 00 flat
Bacon.....	28	5,510	2 65						16,930	
Butcher.....	39	7,300	2 15	39	Butcher.....	7,300	1 85			
Lights.....	2	290	1 90	2	Lights.....	290	2 10			
Heavies.....										
Extra heavy.....	1	290	1 40							
No. 1 sow.....										
No. 2 sow.....										
Roughs.....										
	87	17,030						90	16,930	
November 19, 1932—										
Selects.....	4	800	3 25	31	Select and bacon..	6,150	1 40	59	November 21, 1932	4 25 flat
Bacon.....	27	5,350	2 75						10,775	
Butcher.....	35	6,320	2 25	35	Butcher.....	6,320	2 00			
Lights.....										
Heavies.....										
Extra heavy.....										
No. 1 sow.....										
No. 2 sow.....										
Roughs.....										
	64	12,470						59	10 775	
November 24, 1932—										
Selects.....	6	1,270	3 25	36	Select and bacon..	7,370	1 40	79	November 21, 1932	4 25 flat
Bacon.....	30	6,100	2 75						14,985	
Butcher.....	46	8,940	2 25	44	Butcher.....	8,940	2 00			
Lights.....										
Heavies.....										
Extra heavy.....										
No. 1 sow.....										
No. 2 sow.....										
Roughs.....										
	82	16,310						79	14,985	

## COMPARISONS

EDMONTON				MONTREAL			
Grade	No.	Weight lb.	Price \$ cts.	No.	Grade	Weight lb.	Spread per 100 pounds \$ cts.
November 30, 1932—				November 28, 1932			
Selects.....	8	1,700	3 25	58	Select and bacon..	12,280	1 35
Bacon.....	50	10,580	2 75	28	Butcher.....	5,720	1 90
Butcher.....	28	5,720	2 25				
Light.....							
Heavies.....	1	270	2 10				
Extra heavy.....							
No. 1 sow.....	2	560	1 90	2	Sow.....	560	1 10
No. 2 sow.....	1	380	1 75	1	Sow.....	380	0-95
Roughs.....							
	90	19,210		89		17,170	
December 22, 1932—				December 12, 1932			
Selects.....	13	3,680	3 25	84	Select and bacon..	7,190	1 05
Bacon.....	18	3,510	2 75				
Butcher.....	12	2,080	2 25	12	Butcher.....	2,080	1 75
Light.....							
Heavies.....							
Extra heavy.....	1	290	2 00				
No. 1 sow.....							
No. 2 sow.....							
Roughs.....							
	44	9,960		84		16,365	
December 29, 1932—				December 27, 1932			
Selects.....	4	820	3 25	73	Select and bacon..	5,690	1 30
Bacon.....	24	4,860	2 75				
Butcher.....	27	5,050	2 25	28	Butcher.....	5,050	1 90
Light.....	5	710	2 00	2	Light.....	710	2 15
Heavies.....	2	520	2 10	2	Heavies.....	520	2 05
Extra heavy.....							
No. 1 sow.....							
No. 2 sow.....	1	600	1 75				

[illegible]



## COMPARISONS

EDMONTON				MONTREAL			
Grade	No.	Weight lb.	Price \$ cts.	No.	Grade	Weight lb.	Spread per 100 pounds \$ cts.
February 2, 1933—				February 6, 1933			
Selects.....	12	2,580	3 05	43	Bacon and select..	8,920	1 15
Bacon.....	31	6,340	2 55	29	Butcher.....	5,340	1 80
Butcher.....	29	5,340	2 05	3	Light.....	400	2 05
Light.....	3	400	1 80	1	Heavy.....	250	1 90
Heavies.....	1	250	1 95				
Extra heavy.....							
No. 1 sow.....							
No. 2 sow.....							
	76	14,910		9		2,025	3 85 flat
February 9, 1933—				February 15, 1933			
Selects.....	2	440	3 25	58		9,640	4 15 flat
Bacon.....	13	2,490	2 75				
Butcher.....	30	5,160	2 25				
Light.....	3	450	2 00				
Heavies.....							
Extra heavy.....							
No. 1 sow.....	1	370	1 75				
No. 2 sow.....							
	50	9,160		58		9,640	
February 23, 1933—				February 25, 1933			
Selects.....	4	800	3 20	105		19,180	3 90 flat
Bacon.....	25	4,960	2 70				
Butcher.....	40	7,480	2 20				
Light.....							
Heavies.....	2	510	2 10				
Extra heavy.....							
No. 1 sow.....	1	320	1 95				
	72	14,070		105		19,180	



## COMPARISONS

EDMONTON					MONTREAL					
Grade	No.	Weight lb.	Price \$ cts.	No.	Grade	Weight lb.	Spread per 100 pounds \$ cts.	No.	Weight lb.	Price \$ cts.
April 12, 1933—										
Select.....	12	2,490	4 75	40	Select and			{ 87	April 19, 1933	
Bacon.....	28	5,720	4 25		bacon.....	8,210	1 50		17,410	5 75 graded
Butcher.....	34	7,770	3 75	34	Butcher.....	7,770	2 00		add \$9.00 for selects	
Light.....	Nil			3	Heavy.....	740	2 50		1,150	5 50
Heavy.....	3	740	3 25							
Extra Heavy.....										
No. 1 sow.....										
No. 2 sow.....										
	77	16,720						94	18,560	
April 16, 1933—										
Select.....	6	2,020	4 65	34	Select and			{ 34	April 24, 1933	
Bacon.....	28	5,920	4 15		bacon.....	7,940	1 85		7,475	6 00 graded
Butcher.....	45	9,400	3 65	45	Butcher.....	9,400	2 35		add \$11.00 for selects	
Light.....	2	310	3 40							
Heavy.....	4	1,110	3 15	4	Heavy.....	1,110	2 35	2	510	5 50
Extra Heavy.....								1	265	4 00
No. 1 sow.....										
No. 2 sow.....										
	85	18,760						37	8,250	
April 27, 1933—										
Select.....	3	600	5 75	19	Select and bacon.....	3,700	0 95	41	May 5, 1933	
Bacon.....	16	3,100	5 25					33	7,625	6 10 Western
Butcher.....	29	5,630	4 75	29	Butcher.....	5,630	0 85	add \$3.00 Selects	6,320	6 00
Light.....	2	300	4 50	2	Lights.....	300	1 25	add 25c. off lights		
Heavies.....										
Extra heavy.....										
No. 1 sow.....	2	1,140	3 75							
No. 2 sow.....										
	52	10,770						74	13,945	





## COMPARISONS

EDMONTON					MONTREAL					
Grade	No.	Weight	Price	No.	Grade	Weight	Spread per 100 pounds	No.	Weight	Price
		lb.	\$ cts.			lb.	\$ cts.		lb.	\$ cts.
June 28, 1933—										
Select.....	2	420	5 65	15	Select and bacon...	3,040	1 00	85	14,230	6 15
Bacon.....	13	2,620	5 15					add	\$4.00 selects	
Butcher.....	37	6,830	4 65	37	Butcher.....	6,830	1 50	{	25c. less	
Light.....	25	3,320	4 40	25	Light.....	3,320	1 50	Lights		
Heavy.....	2	520	3 90	2	Heavy.....	520	1 75	4	995	5 65
Extra heavy.....	4	1,340	3 40	1	Extra heavy.....	1,340	1 75	1	365	5 15
No. 1 sow.....								2	805	4 00
No. 2 sow.....	1	410	2 60	1	Sow.....	410	1 40			
	64	15,460						92	16,395	
July 12, 1933—										
Select.....	nil	nil	nil	16	Bacon.....	3,450	1 45	24	3,775	6 95
Bacon.....	16	3,450	5 50							
Butcher.....	30	5,910	5 00	30	Butcher.....	5,910	1 95			
Light.....	27	4,340	5 00	27	Light.....	4,340	1 70	25c.	less on lights	
Heavy.....	1	270	4 25	1	Heavy.....	270	2 25	1	265	6 50
Extra heavy.....	1	290	5 50							
No. 1 sow.....	4	1,010	3 25	4	Sow.....	1,010	1 75	1	280	5 00
No. 2 sow.....										
	79	19,270						26	4,055	
July 19, 1933—										
Select.....	10	2,180	5 80	37	Select and bacon...	7,970	0 95	14	2,750	6 25
Bacon.....	17	5,790	5 30					add	\$3.00 selects	
Butcher.....	33	6,330	4 80	33	Butcher.....	6,300	1 45	{	25c. less	
Heavy.....	1	260	4 05					Lights		
Lights.....	20	2,720	4 80	20	Lights.....	2,720	1 20			
	91	17,250						14	2,750	

July 26, 1933—		July 26, 1933					
Select.....	11	2,440	5 40	47	Select and bacon..	9 950	1 60
Bacon.....	36	7,510	4 90	32	Butcher.....	6,350	2 10
Butcher.....	32	6,350	4 40	2	Heavy.....	500	2 35
Light.....							
Heavy.....	2	500	3 65				
Extra heavy.....							
No. 1 sow.....							
No. 2 sow.....							
	81	16,800					
August 3, 1933—		August 7, 1933					
Select.....	1	200	5 60	28	Select and bacon..	5,350	1 30
Bacon.....	27	5,150	5 10	55	Butcher.....	10,130	1 80
Butcher.....	55	10,130	4 60	11	Light.....	1,610	1 55
Light.....	11	1,610	4 60	1	Heavy.....	270	2 05
Heavy.....	1	270	3 85	2	Sow.....	490	1 30
Extra heavy.....							
No. 1 sow.....	2	490	2 95				
No. 2 sow.....							
	97	17,850					
August 8, 1933—		August 8, 1933					
Select.....	2	400	5 65	16	Select and bacon..	3,290	160
Bacon.....	14	2,890	5 15	45	Butcher.....	8,730	2 10
Butcher.....	45	8,730	4 65	1	Light.....	150	2 10
Light.....	1	150	4 40	4	Heavy.....	1,030	2 35
Heavy.....	4	1,030	3 90				
Extra heavy.....	1	290	3 15				
No. 1 sow.....	8	1,960	3 00	8	Sows.....	1,960	2 75
No. 2 sow.....	4	1,720	2 25	4	Sows.....	1,720	2 25
	79	17,170					
August 29, 1933—		August 30, 1933					
Select.....	3	610	6 60	22	Select and bacon..	4,500	1 05
Bacon.....	19	3,890	6 10	28	Butcher.....	5,750	1 55
Butcher.....	28	5,750	5 10	1	Heavy.....	270	1 80
Light.....							
Heavy.....	1	270	4 85				
Extra heavy.....	2	740	4 10				
No. 1 sow.....	3	800	3 85				
No. 2 sow.....							
	56	12,060					



## COMPARISONS

EDMONTON				MONTREAL						
Grade	No.	Weight lb.	Price \$ cts.	No.	Grade	Weight lb.	Spread per 100 pounds \$ cts.	No.	Weight lb.	Price \$ cts.
September 8, 1933—										
Select.....	5	950	6 75	15	Select and bacon..	2,850	1 25	{ 74	September 12, 1933 14,550	7 50
Bacon.....	10	1,900	6 25	16	Butcher.....	2,780	1 75	Add	\$13.00 Select	
Butcher.....	16	2,780	5 75	62	Lights.....	3,360	2 10	2	Lights 25c less 500	7 00
Light.....	62	3,360	5 25							
Heavies.....										
Extra heavy.....	2	550	4 00	2	Sow.....	550	1 00	8	3,325	5 00
No. 1 sow.....	1	390	3 25							
No. 2 sow.....										
	96	9,930						84	17,875	
September 12, 1933—										
Select.....	7	1,490	6 65	24	Select and bacon..	5,110	0 85	{ 63	September 18, 1933 11,475	7 00
Bacon.....	17	3,620	6 15	35	Butcher.....	6,810	1 35	Add	\$5.00 selects	
Butcher.....	35	6,810	5 65	13	Light.....	1,210	1 35	13	1,780	6 50
Light.....	8	1,210	5 15							
Heavies.....										
Extra heavy.....	1	220	3 90	1	Sow.....	220	1 10	1	440	5 00
No. 1 sow.....										
	68	13,350						77	13,696	
September 20, 1933—										
Select.....	5	980	6 30	22	Select and		1 05	{ 86	September 27, 1933 17,360	6 85
Bacon.....	17	3,370	5 80		Bacon.....	4,350				
Butcher.....	28	5,660	5 30	28	Butcher.....	5,650	1 55	Add	\$17 Selects	
Light.....	4	470	4 80	4	Light.....	470	1 80		Lights 25c. less	
Heavy.....	3	820	4 55	3	Heavy.....	820	1 80		Heavy 50c. less	
Extra Heavy.....										
No. 1 sow.....	2	830	2 80					2	1,140	5 40
No. 2 sow.....										
	59	12,130						88	18,500	

October 10, 1933—		October 11, 1933			
Select.....	8	1 550	5 70	40 Select and	0 95
Bacon.....	32	6 040	5 20	bacon.....	1 45
Butcher.....	34	6 540	4 70	34 Butcher.....	
Light.....					
Heavy.....	1	250	3 95		
Extra heavy.....					
No. 1 sow.....	2	470	2 95		
No. 2 sow.....					
	77	14,850			
October 27, 1933—		October 31, 1933			
Select.....	Nil				
Bacon.....	1	190	4 65	1 Bacon.....	1 10
Butcher.....	52	10 390	4 15	52 Butcher.....	1 60
Light.....	2	270	3 65	2 Light.....	1 85
Heavy.....	1	260	3 65		
Extra heavy.....					
No. 1 sow.....	8	2,170	2 65	8 Sow.....	1 85
No. 2 sow.....	7	2,350	2 15		
	71	18,380			
November 6, 1933—		November 6, 1933			
Select.....	(No				
Bacon.....	quotation				
Butcher.....	(date)				
Light.....	this				
Heavy.....	date)				
Extra heavy.....					
No. 1 sow.....					
No. 2 sow.....					
November 16, 1933—		November 20, 1933			
Select.....	Nil				
Bacon.....	8	1,660	5 50	8 Bacon.....	1 10
Butcher.....	37	7,490	5 00	37 Butcher.....	1 60
Light.....					
Heavy.....	1	260	4 50	1 Heavy.....	1 80
Extra heavy.....					
No. 1 sow.....	3	1,480	3 00	3 Sow.....	1 65
No. 2 sow.....					
	49	10,890			

## COMPARISONS

EDMONTON				MONTREAL			
Grade	No.	Weight lb.	Price \$ cts.	No.	Grade	Weight lb.	Spread per 100 pounds \$ cts.
December 13, 1933—							
Select.....	8	1,760	5 75	30	Select and bacon.....	6,130	1 00
Bacon.....	22	4,370	5 25	35	Butcher.....	6,590	1 50
Butcher.....	35	6,590	4 75	18	Light.....	2,890	1 75
Light.....	18	2,890	4 25				
Heavy.....							
Extra heavy.....							
No. 1 sow.....							
No. 2 sow.....							
	83	15,610					
December 14, 1933—							
Select.....	9	1,890	6 35	35	Select and bacon..	7,010	1 00
Bacon.....	26	5,120	5 85	28	Butcher.....	c 5,150	1 50
Butcher.....	28	5,150	5 35	6	Light.....	880	1 70
Lights.....	6	880	4 60	c 2	Sow.....	490	1 40
Heavies.....							
Extra heavy.....	2	490	3 85				
No. 1 sow.....	1	290	3 35				
No. 2 sow.....							
	72	13,820					
December 21, 1933—							
Select.....	3	610	6 35	19	Select and bacon..	3,800	1 15
Bacon.....	16	3,190	5 85				
Butcher.....	35	6,320	5 35				
Light.....	22	2,230	4 85				
Heavies.....							
Extra heavy.....							
No. 1 sow.....							
No. 2 sow.....							
	76	12,350					

MONTREAL

December 11, 1933

8,795

6 25

\$9 Selects

25c.

cwt. cut lights

250

840

5 50

4 60

55

9,885

December 18, 1933

13,640

6 85

\$2.00 select

11

1,520

2,425

6 35

6 35

5 85

5 25

98

19,705

December 26, 1933

11,680

7 00

\$8.00 selects

60

Add

3

420

6 50

6 50

6 50

6 00

67

13,120



January 5, 1934— Select..... Bacon..... Butcher..... Light..... Heavies..... Ex. Heavy..... No. 1 sow..... No. 2 sow.....	Nil 1 5 43  1 2  52	200 970 3,000  280 490 4,940	6 15 5 65 4 25  4 15 3 65	1 Bacon..... 5 Butcher..... 43 Light.....  1 Sow.....	200 970 3,000  280	{ 1 10 1 60 2 75  1 85	{ 72 13 2 87	January 2, 1934 13,375 No selects 1,800 780 15,955	7 25 7 00 6 00
January 9, 1934— Select..... Bacon..... Butcher..... Light..... Heavies..... Extra heavy..... No. 1 sow..... No. 2 sow.....	14 22 27 6  3 72	2,880 4,460 5,070 870  880 14,160	6 90 6 40 5 90 5 40  4 40	36 Select and bacon.. 27 Butcher..... 6 Light.....  3 Sow.....	7,340 5,070 870  880	{ 1 60 2 10 2 35  2 30	{ 55 Add 5 2 3 65	January 18, 1934 11,370 \$17.00 selects 725 570 1,500 14,165	8 00 7 75 7 75 7 00 6 70
January 22, 1934— Select..... Bacon..... Butcher..... Light..... Heavy..... Extra heavy..... No. 1 sow..... No. 2 sow.....	No quotations this date					{ 55 Add 13	{ 55 Add 13	January 22, 1934 9,765 \$3.00. Selects 1,760	8 50 8 25
January 31, 1934— Select..... Bacon..... Butcher..... Light..... Heavy..... Extra heavy..... No. 1 sow..... No. 2 sow.....	24 39 28	5,100 8,190 5,310	9 00 8 50 8 00	63 Select and Bacon..... 28 Butcher.....	13,290 5,310	{ 1 25 1 75 13	{ 31 Add 13	February 7, 1934 5,135 \$3.00. Selects 1,635	9 75 9 50
	91	18,600					44	6,770	

*By Mr. Sommerville:*

Q. What do you say with respect to the Montreal market for the purpose of comparison?—A. I did the same. I wrote to commission firms in Montreal, and asked them to send me two representative loads each month over the period. I am not quite sure that there are two for each month, but they sent some covering the entire period.

Q. In the Montreal market, they do not sell on the fixed differential?—A. They were not, during this period.

Q. You have compared the results of sales of hogs on the fixed differential with the sales of hogs on the flat basis?—A. Yes.

Q. Or according to the Montreal market method of selling?—A. What they call an open market in Montreal.

Q. Will you just explain then?—A. Comparison in the sale of live hogs month by month from November, 1932, to January, 1934, between Edmonton market and Montreal market. Figures given are compiled from responsible commission firms on each market. The purpose of this statement is to show that the farmers of Alberta suffered serious loss by being compelled to sell their live hogs on a fixed differential as to grade. Expert information given by the packers to the effect that no matter what the system of selling hogs might be, the price on the different markets is generally equalized with the exception of freight differentials. Therefore for the purpose of this comparison, it is well to know the freight from Edmonton to Montreal is \$1.14½ per cwt. I think there have been several witnesses who have testified here on hogs level to freight differential.

Q. The price should be the same at Edmonton as at Montreal less the \$1.14½ per cwt.?—A. If the surplus was moving east. If the surplus was moving west, Edmonton might be higher than Montreal. During this period the bulk of the stuff moves east.

Q. The difference between these two prices should be \$1.14½—A. \$1.14½, the fixed differential, not freight. The bacon hog is the basic price and we will show the bacon price right through in Edmonton and against that either the bacon price Montreal, or the bacon price, including all grades under "bacon." We will then show the loss sustained by the farmers, and apply that loss to the total receipts of live hogs by the province of Alberta, which gives a very fair and accurate picture of the grievances of the present system.

*By Mr. Kennedy (Peace River):*

Q. At that point, I should like to ask this question: Does the freight cover all the cost of moving from one market to another?—A. No. There is this difference. For instance, in Toronto, if we have an order for a load of butcher hogs, and we were short in Toronto and they had a surplus in Edmonton, and we were selling them on the Edmonton way, we would pay them \$1.14½ or \$1.15 for the Edmonton hogs; to fill that order we figure on the freight differential.

*By Mr. Sommerville:*

Q. Take one or two of those samples and explain to us just what the statement shows. Take the centre column.—A. The reason I gave it here was that every member of the committee could see at a glance just what is taking place. Take January 5, 1934, as an example. You have bacon, 200 pounds in a load, \$1.10, in the centre column.

Q. You are referring now to January 5, 1934?—A. Yes, centre column.

Q. You are referring to a sale first of all in Edmonton of a carload of 52 hogs?—A. Yes.

Q. And in that load of 52 hogs you had no selects, one bacon, five butchers, 43 lights, one No. 1 sow and 2 No. 2 sows?—A. Yes.

Q. And for the bacon you got \$6.15?—A. Yes.

Q. For the butchers \$5.65, which is a differential of \$0.50?—A. Yes.

Q. For the lights you received \$4.25, which is \$1.90 of a difference; and for No. 1 sows there was a differential of \$2. You received \$4.15 for them?—A. Yes.

Q. And for the No. 2 sows you received \$3.65, or a differential of \$2.50 from the basic price of bacons. That shows a total weight of 4,940 pounds?—A. Yes.

Q. And the price received for each of those grades?—A. Yes.

Q. Now, in Montreal— —A. I show the spread there on the bacon as \$1.10.

Q. Just before you come to that, I should like to ask you this question. In Montreal in the same week, January 2, 1934, there were 72 hogs, no selects and they sold at \$7.25. They were bacons and butchers?—A. Yes.

Q. Thirteen lights sold at \$7 a hundred?—A. Yes.

Q. The lights at Edmonton sold at \$4.25?—A. Yes.

Q. A hundred, but in Montreal \$7?—A. Yes.

Q. And the No. 1 sows sold at Montreal at \$6 as against \$4.15 in Edmonton?—A. That is correct.

Q. Your centre column shows the difference in each case between those two sales?—A. Yes.

Q. In the case of the sale on January 5, you show that the one bacon hog sold at Montreal brought \$1.10 a hundred more than the same hog at Edmonton?—A. Yes.

The CHAIRMAN: You have to take \$1.14½ off that?

The WITNESS: No, the spread per hundred pounds—yes, you take \$1.14½ off.

The CHAIRMAN: In regard to one bacon?

The WITNESS: That is right.

*By Mr. Sommerville:*

Q. On the five butchers they did better at Montreal by \$1.60 a hundred less \$1.14?—A. Yes.

Q. On the 43 lights they did \$2.75 per hundred better at Montreal than at Edmonton, less \$1.14?—A. That is right.

Q. And the sows did \$1.85 better at Montreal than at Edmonton?—A. Yes.

Q. And these figures throughout the centre column show the difference or the advantage of the Montreal method of selling on the open market according to quality and grade?—A. It shows the gross spread on each grade between Edmonton and Montreal.

Q. From that gross spread you must take first of all \$1.14½ for the freight?—A. I did it in the last page.

Q. In addition to the \$1.14½ you deduct additional expenses of 6¼ cents, do you not?—A. I take all the loads—

Q. Let us have it?—A. I will explain in the last page. This is a summary.

Q. You take the last page, and you say it summarizes the whole thing?

A. The following summary shows the total of 42 representative carloads of live hogs sold on the fixed differential in Edmonton during the period from November, 1932 to January, 1934. You will notice the average spread per hundred pounds on each grade between the Edmonton price and the Montreal price as follows:—

Grade	No.	Weight	Spread per 100 pounds	Freight per 100 pounds	Additional spread over freight differential per 100 pounds
Selects and Bacons.. . .	1,193	244,230	\$1.20	\$1.14½	\$0.05½
Butchers.. . . .	1,463	281,730	1.72	1.14½	0.57½
Lights.. . . .	340	38,320	1.85	1.14½	0.70½
Heavies.. . . .	56	14,590	2.01	1.14½	0.86½
Extra Heavies.. . . .	15	4,560	1.96	1.14½	0.81½
Sows No. 1.. . . .	49	14,320	1.72	1.14½	0.57½

The additional spread over the freight differential on all grades under

Selects and Bacon is.. . . . \$0.642



The freight differential between Edmonton and Montreal is \$1.14½ per hundred pounds. Therefore, deduct the freight from the gross spread to get the net spread. You will notice the selects and bacons, in the spread, are a trifle over the freight differential but all other grades under bacons show a very material differential in spread over the freight differential. It is our opinion that if an entirely different system of selling hogs at Edmonton had been established, whereby, the hogs after they were graded, were sold on grade and offered in open competition that all grades under bacons would have found a ready market at the freight differential, and not only that but with all separate grades sold in open competition this would have meant real competition in buying for the farmers in Alberta.

We submit the following:—

The number of hogs marketed in the Province of Alberta, 1933, according to the statement shown by the Minister of Agriculture for Alberta, is as follows:—

Direct to Packing Plants. . .	687,848 hogs
Stockyards. . . . .	344,321 hogs
Total. . . . .	1,032,169 hogs for the year
Less Selects and Bacons (40.4%) . . . . .	416,996 (as shown by Government Report)
	<u>615,173</u>

Taking an average weight per hog of all hogs under "bacon" of the representative carloads as shown above, namely, 184 pounds per hog, and the average increased spread over the freight differential of \$1.14½ per hundred pounds and apply it to the total number of hogs marketed in Alberta, it would produce the following results:—

615 hogs at an average weight of 184 pounds. . . . .	113,181,832 pounds
113,181,832 pounds at the average spread of \$0.642. . .	\$726,627.36

In other words, the Alberta farmers received \$726,627.36 less by selling on the fixed differential than similar hogs brought at Montreal where they were not on the same fixed differential.

*By Mr. Sommerville:*

Q. And the per cent of this representative load bears out your statement that there is a very large advantage which the farmers of Alberta lose through the sale of the hogs at Endmonton on a fixed differential?—A. Yes.

*By Mr. Young:*

Q. Before you leave that point, we had a witness the other day who told us that there was a special market in Quebec for heavy hogs, hogs that were different from select and bacon, which did not exist elsewhere. Can you tell us where the market for those various grades is found?—A. It is found from the order buyers in Montreal. The orders come to the Montreal market, and they wire to the western market to get the orders filled, if they can. It would come from the wholesale butchers in Quebec.

Q. A witness the other day gave the impression that heavy hogs were sold for higher prices in Montreal because there was a market for that kind of pork in Quebec, but that the same advantage did not obtain at Toronto or other marketing points?—A. The letter I have read, or a paragraph of that letter from a Hamilton packer, shows at times they are anxious for heavy hogs; they have a demand there, if they could get them.

*By Mr. Sommerville:*

Q. That is to say, you say there is the demand if there was the supply?—  
A. Yes.

Q. But under the present system there is not the supply in any of these markets outside of Montreal?—A. That is quite right.

Q. And Montreal which does supply the demand, shows this difference in value?—A. Yes.

Q. And that the various grades below bacon therefore seek their own level of values?—A. Yes.

Q. And obtain higher prices than are paid on the other markets through the fixed differential?—A. Yes.

*By Mr. Kennedy (Peace River):*

Q. In paragraph 4 of page 1 of this brief, is not that the point you are dealing with there, regarding the equalization of prices?—A. In the brief?

Q. Yes, in this paragraph (showing Witness)? I was going to ask that question Mr. Young asked, and then I ran across this.—A. Yes. The testimony that the packers have given, and that others have given, is that hogs in every market in Canada practically level, except freight differential. That is what they gave here.

Q. That is all classes of hogs?—A. Yes. If bacons were selling for the sake of argument at 6 cents a pound in Edmonton, and bacons were selling in Montreal at 7·25 or 7·20 or 7·15, the Montreal packer would place an order at Edmonton at \$6.

*By Mr. Young:*

Q. Where is the market for the light hogs; is that in all cities?—A. In all cities.

Q. Quebec takes the heavy hogs?—A. And Quebec takes light hogs.

Q. And the export market takes the select hogs?

The CHAIRMAN: It is supposed to.

The WITNESS: In Toronto—in fact in every city the light hog, which is the hog that will dress from 120 to 150 pounds, is frequently the most desirable, for the domestic trade.

*By Mr. Young:*

Q. That is for the domestic trade in fresh pork?—A. Yes.

*By Mr. Sommerville:*

Q. And there is more of that sold than bacon?—A. Well, I can't give you the statistics on that.

*By Mr. Young:*

Q. Under free marketing conditions, the light hog would bring a better price than the select, would it?—A. Frequently the light hog might bring a premium.

*By Mr. Sommerville:*

Q. In any event, it would bring a better price than under the fixed differential now prevailing?—A. I will just say again that with regard to a salesman representing the farmer, it is his duty to sell the hogs when they are ready for market, or that come to market, to the best advantage. It is his duty if he is allowed to do it, to sort out the hogs and sell them on a quality basis, just the same as a load of cattle. A load of cattle comes in, and there are two heavy steers, there are three or four cows, there are six or seven butcher

cattle, there is half a dozen baby beef; we would not attempt to sell that load of live stock to one buyer, to one packer. We grade it, put the baby beef by itself, put the butchers by themselves, put the heavy steers by themselves and sell them to the man that wants that class of cattle.

*By Mr. Young:*

Q. In the case of cattle, the packer does not insist on the whole car?—A. He could not.

Q. He does it only in the case of hogs. What I want to get at is this: I understand that the price paid for select hogs and bacon hogs is determined from day to day by the price of bacon in England, and that under the practice of a fixed differential, the prices of other grades of hogs are graded down from that base; but because of local conditions, because of the fact that the light hog and the heavy hog is sometimes in demand here, the price of this kind of hog should be determined by Canadian market conditions and not by the price in Liverpool; is that the point?—A. That testimony has been given. As salesmen, we would say that the price that would determine what we would get for any grade of hogs or any grade of cattle would depend upon the demand for that grade of stock in Canada or any place else that we can get the market. For instance, in Edmonton the tide has turned. There has been a shortage of hogs in the last month or two in the west. There has been a keen demand from the west. There has been a keen demand in the domestic trade, and the Edmonton market in February went quite a bit above the Winnipeg market. I have letters here that I could read or; part of a letter here which would explain it, if I might read it at this time.

*By Mr. Sommerville:*

Q. All right, go ahead?—A. It is just to give you the exact story.

Q. I think Mr. Young would be interested in that?—A. These hogs came from Peace River. It would be just as well if I did not read the names.

The CHAIRMAN: That is all right, Mr. Kennedy, go ahead and read the letter.

The WITNESS: All right.

The story of the price secured on the Peace River hogs of 8·90 fed and watered on February 20, when Winnipeg was only 8·60—

I got a wire that the Edmonton price was 8·90; there was quite a run of hogs, 2,200 hogs. I knew that the eastern market was out of line with Edmonton. I immediately wired them to tell me the cause, to find out what happened, and this is the reply. The salesman reports as follows:

It was known that there was going to be a fair number of hogs coming down on Monday 19th, from Peace River, and as one of the large packers locally always guaranteed the price to drovers on the Thursday previous to shipping day which is Saturday, the salesman knowing that the packers were keen for hogs, thought he would try to get some of the drovers' hogs to go to the market.

*By Mr. Sommerville:*

Q. The commission salesman?—A. Yes, the commission salesman.

He asked another packer-buyer if he would guarantee an f.o.b. price where there were scales in the country, and this buyer guaranteed the price of 8.25 f.o.b. and any advance, provided the head office in Winnipeg would agree to an advance; and if Winnipeg would not, then the commission salesman if he could do better than 8.25, he could sell to the better bid.



That was the commission salesman's right, to get the last dollar he could for the consignment of hogs coming from Peace River. "The salesman accordingly wired the drovers a guaranteed price of 8.25 f.o.b. This apparently was relayed to the local packer. The head buyer asked the salesman on Friday if the hogs that he had bid on at that figure were sold." The local buyer knew that the commission salesman was getting a fair run of hogs. He got a wire from some of his men; therefore he wanted to find out if he could get in on them.

Q. At this time the commission salesman was free to sell to the highest bidder?—A. Yes. That is his job, to sell to the highest bidder.

Q. And he had a bid from a large packer at 8.25?—A. Yes.

Q. The buyer wanted to find out if they have been sold to anyone?—A. Yes.

Q. Will you proceed?—A. "The commission salesman told him that the hogs were sold at that price if no better price could be realized. The local packer asked for a chance on them on arrival. At 9 a.m. on Tuesday morning these Peace River hogs were sold. The local packer bid 8.40 for the f.o.b. and 8.75 for the fed and watered stockyards weight hogs. That is a 15 cents advance on what the other packer had bid. The commission salesman held him off until he saw the other buyer. The other buyer would not raise his bid of 8.25, so the salesman sold them to the local buyer at 8.40 for the f.o.b. Then they started trading for the fed and watered hogs on the market, the salesman asking \$9. The local buyer kept running to the telephone to talk to the head office, and came back three different times raising a nickel each time until he got to 8.90, when he finally said that 8.90 was the best the local buyer would do. The salesman sold to him as he had no other bids, and so prices were set for all hogs on the train, the ones that were going direct, all were set by that price, for all the hogs on the train, and they all went to the local packer. The next day, Wednesday, Winnipeg, had advanced to \$9, a raise of 40 cents per 100 pounds over their Tuesday price."

Q. On the strength of the Edmonton advance?—A. Naturally, when they could not get the hogs at Edmonton.

Q. You say the price is fixed by the local demand, and that there is a local demand for heavies and lights and the prices for these would be fixed by the competition for these various grades?—A. In our judgment, the price of all live stock is set by the published price on the open competitive market.

Q. The published price?—A. The public price on that market.

Q. Take Alberta; you say in your brief that 95 per cent of the hogs slaughtered in Edmonton, went direct to the plants while 5 per cent went to the market? A. That is approximately; the figures show a larger percentage went direct.

Q. And the price of the 5 per cent sold on the public market was the only price that was published as the market price for hogs?—A. The only official price.

Q. And that would be used for fixing the price in buying hogs through the country, on all the rest?—A. Yes.

Q. So that if there was any factor which tended to reduce or depress the prices on the Edmonton market of the 5 per cent, that would have an effect on the entire 95 per cent throughout the province?—A. Absolutely.

Q. With respect to the sale of these hogs by fixed differential, the commission man is representing the producer?—A. Yes.

Q. I suppose he gets the same commission whether he sells at a fixed differential or whether he sells by grades?—A. Yes, just the same.

Q. But the matter of sale by grades involves a good deal more trouble and time taken in the operation?—A. The salesman has nothing to sell by service. He is not out just for his commission; he is out to serve the farmer, the producer; and the competition in selling on the market where there are several commission firms is very keen, as each commission man wants to get the highest possible return for his farmer, as against the other commission firms.

Q. You say this system of selling by separate grade was agreed upon at Edmonton, that it would be put into operation and sales by auction made of these grades?—A. Yes.

Q. Sale by auction is not necessarily a part of the system of selling by separate grades?—A. Yes.

Q. You could sell by separate grades by the present system?—A. Absolutely.

Q. On their quality?—A. Absolutely.

Q. And you went further than that at Edmonton, and you proposed selling them by public auction?—A. Well, there is a reason for that.

Q. What is it?—A. Under the present system of selling in western markets, the local packer has frequently been at a disadvantage in this way, that commission salesmen are also order buyers. A commission salesman having 1,000 or 1,500 hogs for sale and having in his pocket an order from Montreal for 500 or 600 hogs, for him to determine the price, leaving it open practically, the local packers claim that they frequently cannot get in on those hogs, that the commission salesman gives the advantage to the outside order. That is the reason that we suggested having the auction system, so that the bids would be open, so that the moment an order came in from Vancouver or Montreal and they bid for local butcher hogs at a certain price, it is open to the local packer if he wants to bid 5 cents a hundred more, it is his privilege to do so, and if nobody raises his bid, he gets the stock.

Q. Then the competition on the local market at Edmonton, we will say, or on any market, comes from first of all the packers, and secondly from the order buyers?—A. Yes.

Q. And thirdly from the wholesale butchers?—A. Yes.

Q. If there are a number of order buyers or number of orders to buy, then that forms competition with the local packer?—A. Yes.

Q. And the commission merchant or commission agent uses that in raising or improving the market in hogs?—A. Yes.

Q. Or cattle?—A. Yes.

Q. And the suggestion of auction was to give the local buyer, the local packer, an equal chance?—A. To give all buyers equal chances.

Q. You said you were not able to put it into operation, for while the commission men agreed and the stockyard company agreed that it should be tried, you did not have the controlling vote. Just amplify that, please. What do you mean?—A. In the Live Stock and Live Stock Products Act—I have not got the exact wording of it—there is a clause which states that there is nothing in this act that will prohibit sale by public auction, except that the regulations must be approved by the minister.

Q. All right?—A. We called the commission firms together, who were the only ones representing these firms, and the stock yard proprietors, and we decided under the Act as we thought that we could put that into force immediately; and it was the intention at the end of October that the commission firms and stockyard companies would notify every wholesale butcher and packer in Canada that this system was going to be put into effect in Edmonton on a certain day. According to some technicality in the regulations which state, as I understand it, a change of policy like that would have to be approved by the members of the local live stock exchange. The members of the local live stock exchange, or of any exchange, are not only the commission firms, but the packers' buyers and the wholesale butchers, the employees of the packers and the employees of the commission men—in other words, in Toronto I think—

The CHAIRMAN: Stick to Edmonton.

The WITNESS: Speaking of Edmonton, the commission firms and stockyard company would only represent five per cent of the vote.



*By the Chairman:*

Q. Out of how many?—A. I have not got the total number in Edmonton, but I would say it would be four or five times that number—the members of the exchange—therefore, the five votes which were the votes representing the market—the commission firms that represented the producers—they had no power to pass that regulation, and it is held in abeyance at the present time.

Q. But you have made an attempt to do it?—A. Yes.

Q. It was turned down?—A. It was shelved.

*By Mr. Kennedy (Peace River):*

Q. Were the packers opposed to it?—A. We could not get it passed—I remember the packers' buyers were at the meeting.

Q. Were they against it?—A. There wasn't a vote either for or against at the meeting, it was just set aside to be taken up again.

*By Mr. Sommerville:*

Q. It was delayed?—A. It was delayed.

Q. That is the situation at Edmonton. What is the situation with respect to the vote on the Toronto live stock exchange; how many firms are there there on the stockyard?—A. Ten firms.

Q. And what is the representation on the live stock exchange?—A. Approximately one-tenth of the total vote.

*By the Chairman:*

Q. Just a minute, you mean that the commission men on the Toronto live stock exchange, plus the stockyard company, only represent about ten per cent of the vote of the live stock exchange?—A. I am speaking of members of the commission firms.

Q. I am asking about the total voting strength?—A. The voting strength—I could not answer that question correctly; that is the voting strength of the commission firms' employees. I cannot answer that without looking up the packers. I will get that for you and let you have it.

*By Mr. Sommerville:*

Q. But there were the outside interests, such as packers' buyers; are there speculators?—A. Yes.

Q. And others operating on the market, who are members of the live stock exchange?—A. No one can operate on the public market unless they become a member of the exchange; that is, they cannot buy or sell—except a farmer coming in to buy for himself.

*By the Chairman:*

Q. Have you any idea of the total membership?—A. The total membership in Toronto was slightly over 100.

*By Mr. Factor:*

Q. What qualifications do you have to possess to become a member of the live stock exchange; what are the regulations?—A. The regulations at the present time provide for a fee of \$500.

Q. Can anybody join?—A. Anyone of good character and who will put up the necessary security. You have got to take out a bond if you go into the commission business of \$10,000 to the Dominion Government.



*By the Chairman:*

Q. If they are just a buyer they don't have any bond?—A. They have a bond as a buyer.

*By Mr. Kennedy (Peace River):*

Q. Every one of these 100 people who have votes did not pay \$500, they are not members?—A. Not all, originally it did not cost that much.

The CHAIRMAN: But each paid a membership fee.

*By Mr. Kennedy (Peace River):*

Q. What actually brought about opposition to this proposal; I think you said it was because of some of the local packers and butchers who wanted to buy outside; that that was one of the reasons, at least, why it was suggested that there should be a public auction system in Edmonton?—A. Well, Mr. Chairman, I will answer that in this way; the small packers and wholesale butchers who want to buy on the Edmonton market are from Vancouver, from Montreal and from long distances, and they place their orders—their order-buyers are the commission firm—in Edmonton it happens to be the commission firm selling is also the order-buyer.

Q. Yes, I get that, but who is opposed to the public auction?—A. Apparently the packers were not anxious to have this put in force.

Q. The packers throughout Canada, or Edmonton?—A. The packers at Edmonton and throughout Canada, I think—I don't think they want it.

*By Mr. Sommerville:*

Q. If it were introduced at Edmonton the system might spread to other markets?—A. It might spread to all markets.

Q. And it would affect all the packers?—A. Yes.

Q. And whether it spread to other markets or not, it would affect the packers at Edmonton?—A. Yes.

Q. And, of course, that might attract shipments now going direct to their plants to the stockyards?—A. Yes.

*By Mr. Young:*

Q. And the packers in Canada would have an influence on Edmonton; who was it killed it?—A. It was not voted on at all.

Q. Was no motion made?—A. No, it was simply discussed.

*By Mr. Factor:*

Q. Well, who spoke against it?—A. They just moved that the motion be deferred.

*By Mr. Kennedy (Peace River):*

Q. Are the minutes of that meeting here?—A. I will get you the particulars.

The CHAIRMAN: Get the minutes of that meeting.

The WITNESS: I will be glad to, Mr. Chairman.

The CHAIRMAN: Also, a statement of the membership of the exchange.

The WITNESS: All right, I will be glad to do that.

The CHAIRMAN: I was just going to suggest, there are a number of other questions, I presume, which the committee will wish to ask; supposing we adjourn now for lunch and we will have Mr. Kennedy come back after lunch.

The Committee adjourned at 11.47 a.m., to meet again this day at 3.30 p.m.

The committee resumed at 3.30 p.m.

The CHAIRMAN: Before we proceed with a further examination of Mr. Kennedy on the brief he submitted this morning, I think I ought to read to the committee and into the record a letter I received from the Swift Canadian Company Limited. It will be recalled that on March 21, Mr. A. E. Jamieson, Chairman of the Committee on Agriculture and Colonization of the Ontario Legislature, in giving his evidence, as appears on page 588 referred to a case where a lot of five cattle was purchased on the exchange, and upon which occasion two of Swift's buyers bid one against the other, seemingly without knowledge, and later the latter bid was repudiated, although, according to the rules of the live stock exchange, the last bid was bound to be accepted. The latter bid, however, from the second Swift buyer, was repudiated. This bid was four cents; and the exchange having closed at that moment, the farmer selling the stock was forced to accept the lower bid of  $3\frac{3}{4}$  cents.

Now, Swift's have written. By the way, Mr. Kennedy, you had better take the stand, because your firm is mentioned, and you may then make whatever observation you wish to make. I think in justice to Swift's, I should read the letter; but at the same time it does bear out the evidence given here. This letter is addressed to me and is dated April 9, 1934. It is signed by the Swift Canadian Company, Limited, J. H. Tapley:

DEAR SIR: Attached please note copy of our letter April 4, to Mr. George Day, Creemore, Ontario, covering additional payment  $\frac{1}{4}$  cent per pound on five steers purchased by us from him December 20, 1933.

The further letter is a copy of a letter sent by Mr. Tapley of the Swift Canadian Company to Mr. George Day, Creemore, Ontario, and is as follows:

It has come to the writer's attention for the first time that our Live Stock Buying Division, following a controversy regarding the method of offering the stock to us, finally paid you  $3\frac{3}{4}$  cents per pound for five steers weighing 5,100 pounds whereas the purchase price when the deal was originally made was 4 cents per pound, regarding which, after considerable discussion with the commission firm, an agreement was reached to settle at price of  $3\frac{3}{4}$  cents per pound.

We have reviewed all the circumstances and wish to advise now that our conclusion is, after weighing all the facts, that you are entitled to the 4 cent price, because we feel that a deal is a deal, and as our buyer finally bid 4 cents, then that is the price you should receive, regardless of any difference of opinion in respect to how they were offered to us.

Your commission firm—Messrs. H. P. Kennedy and Co.—suggest that as the transaction has been closed on their books, it would simplify the matter to send you the cheque direct, which we are doing herewith for the amount of \$12.75.

We regret the difficulty in this particular case and feel sure any future deals will be mutually satisfactory.

Yours respectfully,

SWIFT CANADIAN COMPANY, LIMITED,

(Sgd.) J. H. TAPLEY.

P.S.—Since writing above, we are pleased to learn from our buyers that we are buying your cattle to-day.

Q. Now, Mr. Kennedy, it is not that I wish to prolong the matter, but having placed this on record, which action was taken because of the statement made in the evidence on March 21st last, and your firm being mentioned, I should like to know if you have anything you wish to add to that or anything

you wish to say in regard to the practice or the incident which occurred at that time?—A. I was surprised when I heard the evidence given. I was here when the evidence was given regarding that transaction, because very seldom, if ever, does a packer on the Toronto market agree to buy stock at a certain price, and repudiate the deal. That is one thing a packer does; once they agree, that settles it. In this case apparently there was a difference of opinion between the Swift buyers themselves. What they call the unwritten law says when one buyer of a packing company bids on a certain shipment of cattle, another buyer for the same firm is not supposed to bid without letting the first buyer know. The first buyer may even raise the price of his first bid; in other words, two buyers from the same packing company should not compete.

*By Mr. Sommerville:*

Q. That is their rule?—A. That is the order on the market. In this case, that is what happened. It was between our salesmen and the Swift buyers, and the matter neither came to the attention of Mr. Tapley, the head of the Swift Company, nor myself, as the principal of H. P. Kennedy, Commission company; so that we knew nothing of it until I asked the question when I went home. Mr. Tapley, the moment he saw it, asked the question. I think he has explained it fully. I do not think there is anything to complain of as far as Swift's are concerned. It was a misunderstanding.

The CHAIRMAN: It is not an incident that would frequently occur?

The WITNESS: No, very very seldom.

Mr. SOMMERVILLE: An isolated incident.

The WITNESS: Yes.

The CHAIRMAN: I think that clears it up. I do not know that we need to worry much more about it. It was mentioned as if it might be a common occurrence.

Mr. BOULANGER: Who mentioned it?

The CHAIRMAN: It was given in evidence by Mr. Jamieson on March 21, at page 588.

*By Mr. Sommerville:*

Q. You knew nothing about it until you heard it here?—A. I knew nothing of it, and as the chairman has already intimated by reading the postscript on the letter, they are buying that farmer's cattle to-day, so there was no hard feeling so far as the farmer was concerned.

Q. Let us proceed with your brief. We were dealing this morning with your observation on the comparison between the sale of hogs on the Edmonton market and the Montreal market?—A. Yes.

Q. Perhaps at this stage you would be good enough to tell us what was the total number of select hogs marketed in Canada during the year 1933?—A. On the last page of the brief you will find that memo, which is taken from government records. The total number of select hogs marketed in Canada during the year 1933 was as follows: Alberta, 81,541; Saskatchewan, 57,855; Manitoba, 42,032; Ontario, 328,379; Quebec, 10,026, or a total of 519,833 hogs during the year 1933.

Q. And the total premium paid by the buyers of those select hogs for that year would amount to what?—A. \$1 per head.

Q. Or a total of \$519,833?—A. Yes.

Q. Now you have already indicated that by selling Edmonton hogs on the differential as against the open market in Montreal, there was a saving to the buyer on that one market of over \$615,000?—A. No, over \$726,000.

Q. \$726,627.36?—A. Yes.



Q. So that a saving affected on that one market by the sale by differential below the bacon hog largely exceeded the total premiums paid by the buyers for all premium hogs sold in Canada?—A. That is right.

Q. Now, referring to the last page on this brief on hogs, will you just explain what this page illustrates?—A. This page indicates the top price paid for bacon hogs, live weight, month by month, in Edmonton, from November, 1932, to December, 1933. The next is the government report on the top price of Wiltshire bacon to the 10th January, 1934. There is a memo on the bottom explaining. The next column is the value of the pound sterling at Edmonton month by month. The next is the value of the shilling, month by month. Then the net price per hundred pounds of this sale price of Wiltshire bacon. Then, the spread between the live cost of the bacon hog per hundred pounds, and the sale price of 100 pounds of Wiltshire bacon.

Q. That is to say you have taken the top price of your bacon hogs in Edmonton month by month from November, 1932, to December, 1933, 13 months?—A. Yes.

Q. And you show the spread between that top price of live hogs?—A. Yes.

Q. And the net price per 100 pounds of Wiltshire bacon?—A. Yes.

Q. For the month of November, 1932, the top price for hogs at Edmonton was \$2.90?—A. Yes, for the bacon hog. I have not mentioned the select hogs because the fixed differential took away more than the premium from the farmer, the premium they got on the select hogs.

The CHAIRMAN: They have lower grades?

The WITNESS: Yes.

*By Mr. Sommerville:*

Q. You have taken the bacon variety?—A. I have taken bacon.

Q. The top price for bacon was \$2.90?—A. Yes.

Q. Per hundred pounds?—A. Yes.

Q. So that a 200-pound bacon hog would be \$5.80, and the top Canadian Wiltshire price for the British market was 57s. 6d. for 112 pounds?—A. Yes.

Q. Is that right?—A. That is right.

Q. Then the value of the pound sterling at that time was \$3.81?—A. Yes.

Q. So that the shilling was worth 19 cents?—A. 19 cents.

Q. Then the net price per 100 pounds of Wiltshire bacon was \$9.75?—

A. Yes. You multiply 19 cents by 57s. 6d. and divide it by 112.

Q. You are reducing it from the English cwt. of 112 pounds to the 100 pounds Canadian weight?—A. Yes.

Q. And the difference between the \$2.90 and the \$9.75 you show as the spread of \$6.85?—A. Yes.

Mr. FACTOR: Subject to the qualification on the bottom?

The WITNESS: Yes.

*By Mr. Sommerville:*

Q. That is to say in the month of November, hogs bought at \$2.90 would be marketed the following month in England as bacon?—A. Yes.

Mr. YOUNG: What was the change in the market at that time?

Mr. SOMMERVILLE: It is indicated here.

Mr. YOUNG: The next line would indicate that?

Mr. SOMMERVILLE: The next line would indicate the price in England.

*By Mr. Sommerville:*

Q. In other words, on the \$2.90 hog there was a spread of \$6?—A. On 100 pounds.

Q. In December, \$2.90, and a spread of \$5.60?—A. Yes.

Q. In January, 1933, \$2.80 per cwt. of hogs, and the spread was \$8.45?—A. Yes.

Q. February, 1933, the top price was \$3.15, and the spread was \$9.80?—A. Yes.

Q. In March, 1933, the top price for hogs was \$5.25 and the spread was \$7.85. In April, 1933, the top price was \$5.25, and the spread was \$8.30. In May, 1933, the top price was \$5.40 and the spread was \$7.25. In June, 1933, the top price was \$5.30 and the spread was \$8. In July, 1933, the top price was \$5.70 and the spread was \$11.45. In August, 1933, the price of hogs was \$6.10, and the spread was \$9.95. In September, 1933, the top price for hogs was \$6.35 and the spread was \$7.55.

Mr. FACTOR: Why the difference of \$11.45 in July, 1933?

Mr. SOMMERVILLE: The top price of bacon had dropped from 80s. in July to 75s. in August, and that accounts for the difference in spread between \$11.45 and \$9.95 in August and July. September, the top price of hogs was \$6.35, and the spread was \$7.55. In October, the price was \$5.25 and the spread was \$9.55. In November, the price was \$5.85 and the spread was \$10.85. In December, 1933, the price was \$6.25 and the spread was \$12.85. We have already had the evidence of Mr. McLean, that the cost of processing a \$2.90 hog is the same as the \$6.25 hog?—A. I understood that by the evidence.

*By Mr. Kennedy (Peace River):*

Q. Why should the spread fluctuate like that? One would think the price would be fairly steady?

Mr. FACTOR: The price of bacon fluctuated.

The WITNESS: Evidence has been already given from the buying standpoint that the buyer after processing, sells his product as high as he can sell it, and after taking off a reasonable profit, processing costs, etc., he pays the farmer, he sets the price that the farmer should get.

Q. That has been the evidence?—A. Yes. In other words, the price the farmer gets is practically in the hands of the buyer of the packer.

*By the Chairman:*

Q. Does this statement of yours, Mr. Kennedy, indicate, in your opinion that there really is little relation between the price of bacon in Great Britain and the price that is paid for the hogs?—A. I would not want to state that, Mr. Chairman. I have not got the facts of the exact cost of processing bacon for the old country market.

Mr. FACTOR: We have not got that yet.

The WITNESS: You will get that in your investigation.

*By the Chairman:*

Q. If the price paid for live hogs in Toronto was related to the price that is received for bacon in the London market, ought not the spread then to show a fairly uniform rate?—A. Yes, and I will—

Q. And if the spread shows rather wide fluctuations, is not it sound reasoning to say that the relation between the market price of bacon in London and the price paid for hogs, has not been maintained?—A. That is right.

*By Mr. Ilsley:*

Q. Does not that spread depend upon the rapidity with which the market is going up?—A. I will answer that in this way, that if all hogs were on the public market, and all hogs were being sold to the packers on the public market,



and this daily and weekly information came to the salesmen, representing producers as well as representing the packers, there would be an entirely different story so far as what the farmer gets is concerned.

*By Mr. Sommerville:*

Q. The producer would get more returns?—A. No question at all.

*By Mr. Ilsley:*

Q. Now, come back to my question. I notice the big spread is when there is a rapid jump in the price of Canadian Wiltshire bacon on the British market. You have here the live weight price for the month previous to the bacon price as shown in your table. It is only sensible that if bacon is going up there is going to be a big spread between what the packer pays for live hogs this month and what he gets for bacon the next month; and therefore you cannot say there is any relation between the price of bacon on the British market and the price paid for live hogs. The wide variation in spread depends upon the rapidity of the jumps or the rise in the market; is not that correct?—A. I would answer that in this way, that I will present to the committee material giving the price in the old country and at the same time, the price of the live hog in Edmonton, and there will be very little change from this statement.

Q. The spread, you say, will be the same?—A. Practically.

Q. Well, that cannot be so, with deference; you know more about it than I do, but if you take the figures—you have figures here, have you not?

*By the Chairman:*

Q. How do you account for the variation in the figures for September, 1933, where the top price for bacon hogs was 6.35 and the Wiltshire sides was 65 shillings, and the next month, October, Wiltshire sides rose to 69 shillings but the price of hogs fell to \$5.25? What is the explanation of that?—A. I cannot explain the packers' practices.

*By Mr. Ilsley:*

Q. Was it not due to the drop in bacon from 75 to 65?

The CHAIRMAN: No, no; follow the figures through there. There is a rise in bacon to 69 shillings, and in the same month when the bacon in Wiltshire sides rose to 69 shillings the price of live hogs fell to \$5.25.

Mr. ILSLEY: He says that is the month before, Mr. Chairman, in his explanatory note; that for the month before would correspond to the drop.

The CHAIRMAN: All right, follow along. The next month Wiltshire sides is 72 shillings, but taking it on your argument you still have the low price of \$5.25.

Mr. ILSLEY: No, when there is a rise from 69 to 72 there is a rise from \$5.85 to \$6.25 in the price of live hogs.

Mr. FACTOR: A zig-zag price.

Mr. ILSLEY: Is that not correct; they seem to be varying, when you take into account that difference in the month.

Mr. FACTOR: Take the month of November; the price of hogs was \$2.90 and 57 shillings sixpence for bacon, and the next month the price of live hogs is \$2.90 and 50 shillings for the bacon. How do you account for that?

*By Mr. Sommerville:*

Q. Does this table not reflect but one thing, that in your judgment the packing company were not returning to the farmer an adequate proportion of the spread?—A. I have already said that if the salesmen representing the producers had this daily information, and all hogs were on the public market, that there would not have been this spread.



*By the Chairman:*

Q. That is, the spread would have been more uniform?—A. Yes, more uniform.

Q. And there would be a closer relation between the price of Wiltshire sides and the price of hogs on the Toronto market?—A. Yes.

MR. FACTOR: What do you mean by a more uniform spread? You mean irrespective of the price of the Wiltshire bacon?

THE CHAIRMAN: No, but the price of the hogs would be more closely reflected.

*By Mr. Factor:*

Q. Does it not really depend upon the price the packer gets for his products, the Wiltshire bacon?—A. 90 per cent of all the hogs slaughtered in Canada was consumed within Canada.

Q. That is a different picture?—A. Only 10 per cent not.

Q. I am talking about the export business; does not the spread, or in this statement does it not entirely depend upon the price the packer receives for his bacon in the British market?—A. Yes.

Q. So that the statement that the spread would be more uniform if the farmer got a greater price for his live hogs does not necessarily follow?—A. Yes. The farmer should get a greater price for his live hogs when the market advances. But the price that the farmer gets is in the hands of a few buyers and they have practically 75 per cent of their purchases direct to their plant, and we have only on the public market practically 25 per cent which may be influenced in any way by salesmen representing the producers.

*By Mr. Young:*

Q. On your stock market in the yards have you any way of determining what the price of bacon is in England; do your commission men know?—A. The commission men do not get the cables, except as a cable comes in from the government at the end of the week.

Q. Could the commission men get cables if they made an effort to do so, and know what is happening on the British market from day to day?—A. When I was exporting cattle heavily, I got cables every day and sometimes two or three times a day.

Q. What is to stop you from getting these cables now?—A. No reason that we should not.

*By Mr. Sommerville:*

Q. The fact is the packer is interested and gets cables from his agents in England?—A. Yes.

Q. These cables are not handed out to the commission men?—A. No; and the commission men cannot influence to any great extent the price that will be paid for live hogs, when a packer has 75 per cent coming in direct.

*By Mr. Young:*

Q. What is to stop the commission men on the Toronto market, for instance, from clubbing together and collectively getting a cable from England every day quoting the prices?—A. Nothing.

Q. Nothing at all?—A. No.

Q. And if they did that, they would then be in a better position to say to the packer: "This is the price of hogs to-day"?—A. They would, if the hogs were all coming there.

Q. You told us the packer gets the prices and the commission man is in the dark?—A. Yes.

Q. Give the commission man that light; you say he is not getting all the hogs. He is getting 25 per cent of the hogs?—A. Yes.

Q. The packer wants that 25 per cent to keep his plant going: he would want one hundred per cent if they were all going through the yards?—A. No matter what information the commission man had, under the present system it would have very little effect because the packers practically control the situation in hogs.

*By the Chairman:*

Q. Because nearly 25 per cent go to the market?—A. Yes.

Q. And 75 per cent go direct?—A. You can't influence the market with 25 per cent.

*By Mr. Young:*

Q. Let us suppose 100 per cent goes through the yards, the packers are still the only buyers, and you are still in their hands, are you not?—A. Then they have got to operate their plant.

Q. They have to operate their plant anyway, whether the hogs come through you or direct?—A. Take the case like Toronto yesterday as an example, with a fairly heavy run of live stock at the market, with heavy runs coming in by truck going to the plant and to the stockyards. At some time, one of the hours in the forenoon yesterday, the trucks lined up, ten, fifteen trucks at the plant, waiting to get unloaded, with one man weighing or putting prices on that stock, grading it et cetera. How could any salesman influence the price that that man would mark those tickets at?

Q. What was there to stop the driver of, we will say, No. 10 truck, from leaving the truck and going up into the packing house and finding out what they were paying; and while he was waiting his turn to be unloaded, getting in touch with the stockyard to find out what they are paying there?—A. Nothing in the world. The packer pays the same as the market.

Q. You are in the hands of the packer whether you sell direct to the packing house or through the yard?—A. We are in the hands of the packer, but if we have the total available supply—90 per cent of their slaughter is sold in Canada and they have got to keep the consumers fed; they have got to carry on.

*By Mr. Sommerville:*

Q. At the present time Mr. McLean has given us evidence that the system is as you indicate, that they get what they can, take what they require and give the farmer the balance?—A. Absolutely.

Mr. FACTOR: You mean the stockyards?

Mr. SOMMERVILLE: No, the producer.

Mr. YOUNG: The balance of what?

Mr. SOMMERVILLE: The balance of the price they have paid.

Mr. FACTOR: Less their cost.

Mr. SOMMERVILLE: Mr. McLean's evidence was that they got what they could from the consumer, that they took out a reasonable profit for their services, the cost of processing, and whatever is left is the price that goes to the producer.

Mr. YOUNG: As I recollect it, Mr. McLean's evidence was this, that every day they got a cable from England as to the price of bacon and other hog products, and that cable influences the price that they pay by a fraction of a cent.

Mr. SOMMERVILLE: There was evidence to the effect that they were getting cables steadily, but I am dealing with the question of live stock sold to the packing plant; and you will remember that Mr. McLean's statement was to

the effect that it didn't make any difference by what means you disposed of your live stock, the net result was the same whether you sold them by grades or whether you sold them by the fixed differential. The result was the same, and the producer would not get a dollar of benefit more, because what they paid the producer was what they got from the consumer less the charges for processing, plus a profit, and the balance represented what went to the farmer.

*By Mr. Sommerville:*

Q. I ask you, Mr. Kennedy, what do you say as to that system of marketing?—A. Mr. Chairman and gentlemen, there is the crux of the whole situation; the system of the marketing of live stock in Canada is entirely wrong, and it operates to the advantage of the buyer.

*By Mr. Factor:*

Q. How?—A. In this way: The first is the producer that produces the live stock; the next is the market where he can offer his live stock for sale, the public market. Located on that market are the commission firms representing the farmers. Then there are the packer buyers buying. Next are the distributors, between the packer and the consumer. Then there is the consumer. The two important bodies are the producers and the consumers. The stockyard company and the commission agent are under government control and simply service organizations.

Q. You would not put it as altruistically as that with regard to the commission men, would you; that is their business?—A. They are service organizations under the Live Stock and Live Stock Products Act; they can only do certain things, are under certain regulations. Mr. Packer-Buyer and the distributors between commission firms and consumers are free agents and operating for profit, and not under the same legislation as the commission firms are.

*By Mr. Ilsley:*

Q. Your stockyard companies are operating for profit?—A. Under the government.

Mr. SOMMERVILLE: They are not free agents; that is the point.

The WITNESS: The stockyard company is simply a utility.

*By Mr. Young:*

Q. Not operating for profit at all?—A. They are operating for profit, a fixed profit I said, by the government.

*By Mr. Ilsley:*

Q. Under a fixed profit?—A. A fixed margin, a fixed margin on feed and a fixed margin on yardage.

Q. I understand?—A. The definition of a stockyards company is an hotel for live stock. They rent the space to the shipper or to the farmer at so much per head, and they sell them the hay and feed a la carte.

Mr. FACTOR: I'll say it is a la carte.

The WITNESS: That is the position of the stockyard company,—the stockyard companies in Canada. When the stockyard companies' representatives are here you will get it; our manager is ready to come any time the committee wish to have him, and he will explain where the earnings of the stockyards companies come from. The majority of the earnings of the stockyards companies do not come from the producers. They come in working for the railroad companies, for cleaning cars, for weighing and matters of that kind.



*By Mr. Young:*

Q. I don't understand it?—A. The stockyards company is not interested in any way in the price that the farmer gets for his live stock.

Q. You say they do not get anything out of the producers; don't they charge so much a head or so much a car?—A. I didn't say they didn't get anything out of the producers. I said they get the bulk of their revenue from the railway companies, and matters of that kind; rentals from the commission firms and rentals from the packer-buyers.

*By Mr. Sommerville:*

Q. Now, Mr. Kennedy, we are getting off onto a side track at the present time. We are going to come to that. Let me get to the point I had in mind. The basic principles of marketing were laid down for us by Mr. McLean. He says at page 272: "You will probably concede this, that the packer gets all he can for the stuff he has to sell. I think we get all we can for the stuff we have to sell both here and abroad. I think the fundamental consideration in this thing that we have been discussing this afternoon is that if you take it for granted that the packer is getting all he can, I do not see how you can increase the total price that is paid the farmer except by reducing the expense to which the packer is put." In other words, the farmer is getting what is left after the profit of the packer and the cost of processing and the other charges are taken from the proceeds. What do you say as to that system, as a system?—A. In my judgment, that system is entirely wrong.

Mr. FACTOR: How do you account for it that 75 per cent of the producers seem to be satisfied and are shipping direct to the packers?

*By Mr. Sommerville:*

Q. Now, just explain what is the result of that system?—A. Mr. Chairman and gentlemen, I will say this, that I often wonder why the other 25 per cent of the hogs come to the market. I often wonder why they come to the market.

*By the Chairman:*

Q. Explain that, will you? We are wondering too?—A. With hogs going in direct, the man going in direct unloads his hogs. There is a man there at some of the plants who grades and marks the price on the tickets, the same as for the other classes of live stock. As a rule, with the stock going in by truck, it is the trucker that is working for transportation charges. He is not an expert salesman. He has gone to the farmer and loaded his stock at the farm, and he is anxious to make all the revenue he can for his truck. Therefore he goes direct to the plant. He says, "Now, get me unloaded quick, and I will go back and get you another load in this afternoon." If he came to the stockyards he could not get back for his second load, because he would wait until the commission man would try and put a competitive price on that live stock. Therefore he could only make one trip instead of two. That is the first. The next is this, that the purchasing man representing the packer has no competition whatever. Whatever price he puts on that ticket, that is the price.

*By Mr. Young:*

Q. That is at the packing plant?—A. Yes, that is at the packing plant. That is the price. At 12 o'clock yesterday—the market opened at 9 o'clock, and there are ten expert commission firms on the Toronto market,—very few cattle had been sold at 12 o'clock. The packer-buyers had been there, had been bidding. Why didn't the salesmen sell? Because they were expert in selling as

well as the buyers were expert in buying, and they would not take the first price that was bid. Frequently the first bid of the packer on a market, when they get through selling is from a quarter to a half a cent a pound higher than the first bid.

*By Mr. Sommerville:*

Q. Wait a minute, I think the notes do not correctly show what you intend. You say when you get through buying—A. When we get through selling.

Q. When you get through selling, the price you get is frequently a quarter to a half a cent a pound more than the first bid?—A. Yes.

Q. When the man goes to the packing plant, the bid is there and that is the first and last bid?—A. Yes.

Q. That is the point?—A. No competition.

Q. Yes, will you proceed? That was your second point. What else is there in that system that you find that is wrong?—A. Well, from the standpoint of the packer, you cannot blame the packer for buying as cheaply as he can buy. He is in the business to make money.

*By Mr. Factor:*

Q. How do you account for the farmer going to the packer direct? How do you account for 75 per cent of the producers, in spite of this disadvantage, still keep going direct to the packers?—A. I have already explained that the trucker is largely accountable for the increase in the percentage going direct to the packing plant.

*By Mr. Sommerville:*

Q. What effect has the differential in inducing the farmer to send to the packer?—A. In hogs, a fixed differential sets the price. In other words, the salesmen of hogs—it may not be complimentary to some of us as salesmen—but the salesmen of hogs on the Toronto market are practically rubber stamps.

Q. That is to say, when the price of bacon hogs is set, you cannot use your judgment in getting higher prices for the lower grades?—A. Because we can't sell the grades separately.

*By the Chairman:*

Q. Salesmanship is eliminated?—A. It is eliminated.

*By Mr. Sommerville:*

Q. And everything follows the bacon grades?—A. Yes, absolutely.

Q. The farmer knows that when he ships his hogs?—A. No question about that.

Q. And you say that has a tendency to help the packer get his shipments direct?—A. Yes.

Q. So that competition in hogs on the Toronto market is with respect to bacon prices?—A. Yes.

Q. And not the prices of these other grades?—A. Yes.

Q. And the working of that fixed differential you say has a tendency to throw hogs into plants?—A. That is why the percentage of live stock going to plants is so much greater than your percentage of cattle. With cattle it is entirely different. The salesmen sort out cattle and sell them on their grade.

Q. Entirely; and 75 per cent of live hogs go to the packers, and you say that the large reason for that is the fixed differential as applied to them?—Yes.

Q. But that there being no fixed differential on cattle they belong to the market and are graded and sold on the market?—A. Yes.

Q. And I think your figures show that over 80 per cent of the cattle go to the market at the present time?—A. Yes.

*By Mr. Young:*

Q. Do you attribute that entirely to the differential?—A. Largely to salesmanship.

Q. Are there any hogs go to the packing house direct by rail?—A. Yes.

Q. Many?—A. Yes, quite a number.

Q. There must be another explanation there?—A. That is a private arrangement between the salesman and the packer; the salesman that buys car lots feels he can get just as much money by going direct to the plant and then he will ship to the plant.

Q. The salesmen; you mean, the farmer?—A. No, the man buying from the farmer—the drover.

Q. And the drover finds it profitable to ship direct to the plant?—A. Frequently.

*By Mr. Sommerville:*

Q. Following up the question of the drover shipping direct to the plants; what is your experience as to the proportion of drovers who ship to the stockyard as against those who ship to the plants?—A. On cattle there are very few drovers, as far as Toronto is concerned, that ship their cattle direct to the plants.

Q. They are experienced buyers?—A. There are drovers who have been practically agents of the packers for years, or have been dealing with the packers for years, that are still shipping their stock direct to the plant—cattle; the percentage is very much smaller than it is in hogs.

Q. But in the case of drovers you say very few of them ship to the plants, they ship to the stockyards, and at the stockyards do they sell the cattle themselves or do they employ the selling agents?—A. Selling agents.

Q. They employ agents?—A. Yes.

Q. Why? They are experienced cattle men themselves, why? Will you tell us?—A. The selling agent is in touch with local conditions; the selling agent is bonded to the dominion government, and there is no chance whatever of any losses so far as sales are concerned; they know local conditions, they care for the cattle, they look after the collection.

Q. Are they able to get better prices for the drover than he would otherwise be able to get?—A. No question. In reply to that question I might speak of my own experience in other markets, that would let the committee know.

Q. That would show the practice as you know it, at any rate?—A. From the year 1897 to the year 1927 I traded in nearly all the important markets of the United States, and for many years I paid in Lancaster, Pennsylvania, from \$15,000 to \$20,000 a year in commission to salesmen on the Lancaster market.

*By Mr. Young:*

Q. These were cattle, or hogs?—A. On cattle, we shipped hogs there too; but on cattle the commission for selling was \$30 per car.

*By Mr. Sommerville:*

Q. Yes?—A. Frequently in the fall of the year I would have as many as 70 cars, or 80 cars, that would go on that market and I paid \$30 a car in every case for the selling of these cattle. I was there a great deal of the time myself in the fall of the year. I had my own salesmen there from Toronto to help to care for the cattle; we gave our services free and we sold a very fair percentage of the cattle ourselves; but in every case we paid the commission to the salesman. Why? Because the salesman was in touch with local conditions, he knew the people we were selling, we were sure of our money, and we simply didn't try to



do anything else. That is the answer to the question as to why the drover or the shipper will consign his stuff to a commission man on the Toronto market, or on any Canadian market; and as far as the commission that the salesman gets is concerned, it is very small in comparison with the value received by the drover.

Q. In other words, you say your own experience is on other markets that it has been profitable for you to engage a local commission agent?—A. There were different years in Great Britain that I paid from \$20,000 to \$50,000 a year in commissions, and I never sold any cattle in Great Britain, or France, or Belgium, or Switzerland that I did not pay a commission to the local man.

Q. Because of his knowledge of local conditions?—A. Absolutely.

Q. And he could get you better results?—A. Absolutely.

Mr. FACTOR: What other course could you have pursued if you had not employed commission men on these markets?

*By Mr. Sommerville:*

Q. You could have sold your own, could you not?—A. I could have sold, myself.

Q. But you would not have been in the same position?—A. I would not know the man whose credit was good, I would have had to set up all the machinery that the commission men have set up.

Q. And you would have been in much the same position as the farmer selling to the packer had been?—A. Just the same. I have brought down a few statements showing how the commission business is done. Here is an exhibit of one of our shippers. I would like to hand that in and have it passed around to the committee, it shows the amount of detail that the commission salesman and the commission office has to do to collect \$17 and be responsible for all the accounts.

Statement filed as exhibit 86.

Mr. FACTOR: Yet the department object that the price is too high, and ask that it be reduced.

*By Mr. Sommerville:*

Q. This is a list of 31 cattle sold to Swifts, all of varying grades and at varying prices; a total of \$2,975.61; and the commission on that was how much?—A. \$34.

*By the Chairman:*

Q. That is for two grades. Have you a similar statement showing a broken lot; that is, where you sell to a number of buyers—could you file one of those as an exhibit as well?—A. This statement shows a broken lot.

The statement filed as exhibit 87.

Mr. SOMMERVILLE: This is an exhibit showing five sales to different people for a total of 24 cattle; 24 cattle, 14 calves, 3 sheep and 7 cows.

The CHAIRMAN: How many sales altogether?

Mr. SOMMERVILLE: The total number of sales shown is 6; total proceeds \$1,050; commission \$17. And then you must report on each of these firms.

The WITNESS: You have to figure out every ticket separately, and you have to collect.

*By Mr. Sommerville:*

Q. From each of these different firms?—A. Yes. Now I will give you a statement showing 15 separate sales involving 15 separate statements; 18 cattle sold, total commission collected \$6.25. Now, can the man who goes direct to the plant, could the trucker get that service at the plant direct?

*By Mr. Factor:*

Q. Why did the department ask you to reduce your charges?—A. We don't know; we have not consented, we are having it investigated.

*By Mr. Young:*

Q. I notice on the statement there is nothing for market fee and feed?—

A. We collect all that; there is just market fee on the trucks. Market fee and feed is there, is it not?

Q. Yes.

The CHAIRMAN: That statement will be exhibit 89.

The WITNESS: Here is another for 2 cattle and 17 calves; total commission collected, \$6.25; twelve separate cheques and statements issued.

*By Mr. Sommerville:*

Q. Twelve different consignees?—A. Yes.

*By Mr. Factor:*

Q. You are apparently giving value for the producers?—A. Not only giving value but selling individuals each separately for the benefit of the producer.

Q. That takes in the sale of all the live stock on the market?—A. In our recommendations we state that all live stock should be marketed on public stockyards in open competition.

Q. That would create a sort of monopoly of the commission merchants at the stock markets, wouldn't it?—A. You could not have any monopoly with commission men on the stockyard.

Q. I mean any commission firm that was lucky enough to have a seat on the stock exchange would have an advantage, wouldn't it?—A. Again I will quote my experience in shipping to Pennsylvania; there were ten to twelve commission firms and we would have anywhere from seventy to eighty cars of cattle there to sell; I would distribute these cattle through the different commission men, and each commission man would try to get a better sale than the other commission man. That is my experience over a period of thirty years.

*By Mr. Sommerville:*

Q. Increasing the number of commission men increases the competition in selling?—A. In my judgment. As far as Toronto is concerned, or any market in Canada, if all the live stock centred on the public market there should be more competition among the men on every market.

*By Mr. Factor:*

Q. That is what I wanted to get at?—A. And in my judgment you can only go so far in the selling of live stock until you have to increase your salesmanship, and increase your yard help, and increase your office staff; you cannot go beyond a certain point of volume without increasing your overhead.

*By the Chairman:*

Q. One other question before you leave that; in addition to the competition of salesmanship among the commission firms, the shipper is permitted to sell his own live stock on the public market if he so desires?—A. Absolutely, we have shippers—I think every commission firm has—who are right there and lots of times make their own sale.

*By Mr. Factor:*

Q. You are really asking us to recommend legislation to compel the 75 per cent of the producers of hogs who are now selling to the packers to sell them through no other source than the stockyards; is not that what it amounts to?—A. We are asking for legislation to compel buyers to buy on the open competitive market.

*By Mr. Sommerville:*

Q. Now, I am going to ask you, you have had a great deal of experience on the markets of the United States, are the same conditions and the same problems arising in the stockyards, between stockyard sales and packing house sales in the United States as here?—A. They are having practically the same trouble; in fact there is a bill before the Senate at the present time which the committee might like to have filed as an exhibit.

*By the Chairman:*

Q. Before you leave that, do they have a direct shipment problem over there too?—A. Yes, I would like to read some of the evidence in this investigation, which is at the present time considering this bill.

*By Mr. Sommerville:*

Q. Yes, and these are the bills?—A. The bills that are before the Senate in the United States at the present time.

Q. And are these bills to prohibit direct shipments to packing plants?—A. Yes.

Q. And to regulate the packing plants in the United States?—A. Yes, and to put all direct shipments under the same legislation as applies at these central points.

Mr. FACTOR: You are not suggesting that we copy American patterns, are you?

Mr. SOMMERVILLE: If they do find that some of this trouble is the same as our trouble here it may be that some of the information will be of interest to us. By the way, this bill may have been copied from Canada, because I observe that this Senate bill was introduced on the 15th March, and I think we had started our work by that time.

Mr. FACTOR: We are not ready to frame our legislation yet, I hope.

The CHAIRMAN: Not yet.

United States Senate bill and related evidence filed as Exhibits 90, 91, and 92.

The WITNESS: I feel that the system of selling live stock should be entirely changed, should be on a cost plus basis.

*By Mr. Young:*

Q. Cost plus?—A. Yes. Why should the farmer produce live stock unless he can get a living by producing it?

Q. You advocate cost plus to the farmer, cost plus to the commission man, and cost plus to the packers and everybody?—A. What other system could we work on?

Q. Put all your cost plus together, and you find that the total is more than the consumer will pay; what are you going to do next?—A. I would say that system is much better than putting the pressure on the sales end, that is where the whole pressure is put on now, all the profit is put on the farmer and he gets what is left—he is the goat. I could read you case after case here. Here is a letter of March 23, 1934.

*By Mr. Sommerville:*

Q. When you say cost plus, you mean that the farmer should be paid the cost of production?—A. Plus a minimum wage, that should be the basis.

Q. Plus a profit?—A. Yes.

Q. That is, the farmer and any producer of live stock ought to be able to market it at a profit; that ought to be the basis in your judgment?—A. In my judgment.



Mr. FACTOR: Why not extend that principle to every other commodity?

Mr. SOMMERVILLE: I wonder if it is not extended to every other commodity?

Mr. FACTOR: A Utopian scheme.

Mr. SOMMERVILLE: Is not that what the manufacturer does?

The CHAIRMAN: I think we are getting into an argument; will the witness proceed with his statement.

The WITNESS: If I might at this time cite some of the instances of the distress in Canada to-day among the farmers, the absolute distress.

*By Mr. Sommerville:*

Q. From the present system?—A. From the present system. In every province, it is worse in the West, because the consuming market is in the East, and the live stock must move East. Here is a letter dated January 31st, where the farmers shipped through their co-operative association in Peace River during last January showing a return of 86·8 cents per hundredweight. You will note that eleven hogs netted to the farmer \$26.35, eleven of the finest hogs; while on the fixed differential thirteen hogs net \$37.89.

*By Mr. Ilsley:*

Q. What date is this?—A. January 31, 1933.

*By Mr. Sommerville:*

Q. And it was referring to?—A. These show that in January of 1933 eight hogs net \$19.69; and ten hogs net \$16.98.

*By Mr. Ilsley:*

Q. That is below the cost of production, of course?—A. It is not half of the cost of production.

Mr. KENNEDY (*Peace River*): It would not pay the cost of grinding the feed.

*By Mr. Ilsley:*

Q. Assuming that the price went away up, as it has sometimes in the past, would you hold the farmer down somewhere near his cost of production?—A. When this investigation is completed it will have, I expect, from the Department of Agriculture from every Province in Canada what the cost is of producing the live stock. You should also have what the net return to the farmer was in 1933. You will have the charges that the commission firms made in the selling of that live stock, you will have the earnings of the stockyard companies, and you will have the earnings of the packing plants, and the earnings of the distributors between the packing plants and the consumers; and it should be up to this committee to decide whether the consumer's dollar was adequately distributed during the year 1933.

Q. Perhaps my question was not a fair question?

The CHAIRMAN: Just repeat it, Mr. Ilsley.

*By Mr. Ilsley:*

Q. I was saying, you suggest that the cost of production should be guaranteed to the producer, that the amount he gets should be based on his cost of production; now, I am asking you to take a time when due to the variable conditions of the market his return goes up a lot beyond his cost of production, would you in that case keep him down somewhere near his cost of production?—A. Absolutely not.

*By Mr. Young:*

Q. Well, you have one way but you would not have the other way; it is the consumer then who is going to pay beyond what the market would justify at one time, and yet he is not going to get the benefit of low prices which would be justified at another. Well there should be some neutral body between the highly organized selling power that there is in Canada at the present time, and the highly organized buying power of live stock and the producer. The trade cannot do it. The trade are dealing with the public and the only power that can remedy the present situation is the power of the Dominion government.

*By Mr. Sommerville:*

Q. You made a suggestion?—A. Under present conditions. This is the time when something wants to be done for the farmers of Canada. This is the time, gentlemen, to make men in Canada, not make fortunes.

*By the Chairman:*

Q. Do I gather from your arguments that you propose in any system of production processing and distribution that the first consideration should be given to the individual who produces the article?—A. There is no question at all in my mind about that.

Q. And that largely the territory of distribution should be built upon that?—A. Absolutely

Q. Instead of dealing with the selling end, or starting with the selling end?—A. Absolutely.

Q. And working backwards, so that the producer gets what is left?—A. Just reverse the system.

*By Mr. Factor:*

Q. Where would the consumer come in?—A. I do not believe the consumer would pay any more.

Q. In answering Mr. Ilsley's question, you state if the natural law of supply and demand is such that the farmer can get a high price for his production, a fixed price, you would not pin him down to a fixed price, but let him get a higher price; naturally the consumer will have to pay that higher price?—A. No, the farmer should not be allowed—may I at this juncture read this letter, Mr. Chairman?

The CHAIRMAN: Finish what you were going to say.

The WITNESS: This is right on this line. This shows the position of the farmer where his capital has been eliminated. This letter is written by a lawyer and Mr. Factor will appreciate it. It is from Edmonton, Mr. Sommerville, and represents the interests in Edmonton. He is in close touch with the situation in the west. I asked him for an expression of opinion, and you might just as well have it on the record. It is addressed to Mr. H. P. Kennedy, and is as follows:

DEAR MR. KENNEDY,—You suggested that I write you a letter pertaining to the financial distress amongst the farmers of Northern Alberta; this having been the subject matter of our conversation yesterday.

I have lived over twenty-four years in Alberta, and have been engaged in the practice of law since 1914. Edmonton, where I reside, is of course the centre of the Garden of Eden of the west, but even at that the agricultural situation is very unsatisfactory. Generally speaking, the farmers in that territory have plenty to eat, but since 1929 have not been able to make sufficient revenue to pay any debts. The farmer with a good unencumbered half section of land is in a fairly good position to-day, as he can make a revenue and get by without being able however to create

any reserve or to make capital expenditures to any extent. The farmer however whose lands is encumbered and owes other debts, and I believe that the majority of the farmers are in this category, is going behind every day. It is all he can do to pay his expenses which by the way have been cut to the bone and eke out a bare living. He cannot, however, pay debts such as mortgages, farm machinery notes, old machinery accounts, doctors bills, etc., and these debts are increasing by way of interest.

As I see it there are thousands of cases where farms will eventually pass to mortgages, unless the farmer's revenue is increased and interest rates reduced and debts cut down. His equity in his assets is disappearing rapidly.

It is highly important in my opinion to make an adjustment of the debts incurred by the farmers when times were normal. Interest rates are too high under present conditions. The farmer cannot even afford to pay 5 per cent interest, but in many cases he is paying eight and nine per cent and sometimes even ten per cent.

If something can be done to materially increase the revenue of the farmer through better prices for livestock whereby the grain can be marketed through these channels, the situation may be saved. Apart from other considerations the farmers morale needs pepping up. Just think of the advantages that will accrue to Canada as a whole if the farmer has a substantial purchasing power. Right now much is needed by way of lumber, building materials new farm machinery, radio sets, batteries, household furniture and equipment, clothes and other articles required. In many cases these people need the service of a dentist or a doctor, but cannot afford to pay for proper medical attention. During the last few years the agricultural community has been unable to make capital expenditures and has to economize in every direction. This affects everybody. If the farmer has a chance he will certainly spend his money on necessities and replacements. There is plenty of farm machinery being held together with hay wire, but this cannot go on forever and yet how can new farm machinery be purchased at present prices.

I know of many instances of financial distress as I have a great deal to do with farmers and travel around the country considerably during the summer and fall. I am not giving you details in each case, but have merely dealt above with my general findings.

Even with the increased revenues I see a problem facing us—how can the agriculturists purchase new goods and at the same time pay off past debts and accumulated interest? There has been plenty of discussion regarding war debts and the purchasing power of nations. If the nations are obliged to pay these old war debts they will be unable to make new purchases, and the same principle applies to the farmers in western Canada.

Mr. FACTOR: Why didn't you send him the Prime Minister's speech on the cutting down of interest rates?

*By Mr. Sommerville:*

Q. Mr. Kennedy, what do you say.—A. There has been a lot of pressure put on the government to cut interest rates down.

Q. What would you say would be the improvement in the price of livestock if the system of open sale on the open market that you advocate had been in operation during 1933?—A. In my judgment, as stated in my brief, if all livestock had been sold through public market, in open competition in the year 1933, the values of livestock, net to the farmer, would have been \$1 per hundred higher.

Q. All the way along the line?—A. Yes.



*By Mr. Young:*

Q. How do you arrive at that figure?—A. I might read another letter, if I may, which will explain it. I will answer by this letter. It is from a farmer in Alberta. The letter is addressed to me, and is as follows:

DEAR MR. KENNEDY: I notice by the papers that Mr. Stevens' Commission is taking up the marketing of livestock, and this matter will be on very shortly. For this reason I am writing you.

To-day, on the Edmonton stockyards, a rail shipment of 559 mixed cattle came in from Peace River. There will be probably a dozen different grades of these cattle, consisting of different grades of fat cattle, feeders and stockers. These cattle, to fetch the best price, will have to be sold to at least a dozen different buyers. We will suppose that the owners of these cattle shipped them to a packing plant. You, being a cattleman, will have some idea of what would happen to these cattle regarding the price, if it were possible for any one packing plant to handle them all. Of course the packing plant can handle the fat cattle, but what about the feeders and stockers? Wouldn't they have to buy them at a reduced price in order to find a market for them, as a considerable number of these cattle cannot be slaughtered.

Edmonton is the centre of a large territory in which there are many pioneer farmers, who are often compelled to sell their cattle before they are ready for slaughter, and it is absolutely necessary that there be a public market which can dispose of each and every kind of cattle, whether they are fat, feeders or stockers. If there is no such public market there is always the danger that cattle which are not fit for slaughter are put on the market in the form of beef of such a quality that when it reaches the hands of the consumer it reduces the price for meat of a higher quality. In other words satisfying the demand for meat with a lower quality than the consumer should be served.

That is what I suggested in my brief should be changed.

To one who is acquainted with farming conditions in this province, it would seem ridiculous that at this time there would be any question as to the necessity of a public live stock market, which, of necessity, must find a cash market at any time for any quality and quantity of livestock that may be offered for sale. It is ridiculous to suppose that in this western country that every animal going to market is fit for slaughter, and while naturally, the packing plants have their place, I believe that the major part of livestock handling must always take place at the stockyards.

This was brought home to me very clearly last winter. I fed some cattle which were sold December last, through the Edmonton stockyards, at four cents per pound. Last January, a farmer owing us an account, sent two fat heifers through his local truck driver to a packing plant in Edmonton, the proceeds of the sale to be turned over to us. One of these heifers fetched two cents per pound and the other 2.60. Competition at stockyards, no competition at packing plants.

Mr. FACTOR: I received a letter this morning from a farmer in Ontario, who said in that letter that those who advocate the sale of live stock through stock markets do not know what they are talking about. It is just a matter of opinion.

*By Mr. Young:*

Q. Let us go back to those figures. Those cattle sold through the yard brought four cents, and those two heifers brought 2 cents and 2.60. Will you

tell us what the market was for those two different classes of cattle on those different dates? Let us try to get the whole picture.—A. Practically this much difference, a month's difference. The market was advancing. Steers sold in December and heifers in January.

Q. Can you give us figures?—A. I can get the exact difference. There was a confidential letter sent to me at the time the heifers sold for 2.60 to the effect that they were a better quality carcass of beef than the steers that sold for four cents at the stockyards.

Q. Any other description given of the stock?—A. None whatever.

*By Mr. Sommerville:*

Q. You mean, they ship direct to the packing plant, no competition?—

A. Direct to the packing plant, no competition.

Q. And the man who weighs them in marks the ticket?—A. Yes.

Q. Weighs them, puts the price on them, and the trucker takes back the money?—A. Yes.

Q. You say that system would militate against the farming community?—A. Yes.

Q. And that the price they would get on the open market, where the farmer has an experienced salesman as his representative, would amount to at least \$1 a hundred?—A. In my judgment.

Q. Over a period of years?—A. Yes.

Mr. YOUNG: Is it on this letter you base your statement?

Mr. SOMMERVILLE: I think Mr. Kennedy said on his judgment.

The WITNESS: On my judgment.

Mr. YOUNG: I asked him how he arrived at that conclusion and he read this letter.

Mr. SOMMERVILLE: He gave you this incident.

The WITNESS: In my judgment, yesterday morning, if I had had an order as I used to have in the United States, if I had some outside market and stepped on the Toronto market to buy 500 head of cattle or 1,000 head of cattle, the market would have easily advanced \$1 a hundred.

*By Mr. Young:*

Q. The reason it did not was because you had no market in the United States to ship your cattle to?—A. Well, that might be part of the reason, but I should like to say this—

*By Mr. Sommerville:*

Q. If you have the packer on the market instead of the states, your point is the market would have advanced?—A. Absolutely, the packer would be the buyer. Why should the packer, if the trucker will come and keep running in and crowding the scale all the time on Monday and Tuesday and Wednesday morning, to get rid of the stock market, then let him worry. Why should the packer, without any competition, pay higher prices?

*By Mr. Young:*

Q. The point I want to make is this: You made a statement a moment ago, that if you had an order for 1,000 head of cattle in the States, you could have gone on the market to buy them and the price would have advanced 1 cent a pound as a consequence. Without that order from the States, the price did not advance?—A. If all cattle were on the market, and everything were sold in open competition, all cattle slaughtered in Canada—at least 97 to 98 per cent of all cattle slaughtered in Canada are consumed within Canada. It is the demand from the consuming public that sets the price.

Q. In relation to the supply?—A. From the consuming public, and the order buyer of that market that is selling outside of the big packers altogether; if they had a chance to be there to bid on every different grade and every different quality of live stock, that competition would raise the price.

Q. Let me follow this up. You say if you have an order for 1,000 head of cattle on the State and you had gone into the market to buy the 1,000 head of cattle, you would have raised the price one cent. Now, Mr. Sommerville said that if a packer were compelled to go on the open market and buy their supplies instead of buying them at their plant, it would have the same effect. Would it?—A. It would have practically the same effect, if all the stock were on the market.

Q. But if you are going to ship 1,000 to the States, you are going to move 1,000 right off the Canadian market?—A. That is always a benefit.

Q. Without that outlet are they going to have the advantage of this 1,000 head of cattle lifted off the market?—A. I have answered that in my brief where I say that if 5 to 10 per cent of the low grade cattle in Canada were moved from the market through the regular channels, going to the packing industry to the trade, if they were moved, there would be a shortage of the right class of cattle in Canada.

Q. How do you propose to move them?

MR. SOMMERVILLE: I will bring that out, Mr. Young, because that is one of the points I have to examine Mr. Kennedy on.

THE WITNESS: May I read some of this evidence?

MR. SOMMERVILLE: In support of the statement that the price would be in your judgment, at least \$1 a cwt. more, you want to read some evidence given, I understand, before the Senate committee in the United States on exactly the same point?

THE WITNESS: On exactly the same point.

MR. SOMMERVILLE: Let us have the statement. Given by whom?

THE WITNESS: It is given by D. M. Hildebrand, president of the United States Livestock Association.

*By Mr. Sommerville:*

Q. Given when?—A. Given on March 28th.

Q. Last Week?—A. Yes. This is the Drovers' Journal from Chicago. Here is his statement on that particular point:

"I feel safe in saying—" This man, I may say, is a big raiser of Livestock; raises and sells 700 to 800 a year, and about 2,000 hogs a year off his own place. Here is his statement.

I fell safe in saying at this time that if all interests had been and were now competing for their raw material on a fair basis of at least \$2 per cwt. higher than they are now and the cost to the consumer would be no more than present prices.

This is his statement. May I file this whole statement?

THE CHAIRMAN: Yes.

*By Mr. Sommerville:*

Q. What other statement do you desire to refer to in support of what you say with respect to direct shipments?—A. "I want to say at this point—"

THE CHAIRMAN: Is that the same individual?

THE WITNESS: The same man.

I want to say at this point that when I started shipping hogs to Omaha, some 25 years ago, at that time Mr. Packer-Buyer was right



there at eight o'clock in the morning when the gong rang in order to start his killing crews going. What do I find when I go down there to-day? Mr. Packer-Buyer is not there. He is not there until after the shipper-buyers have cleaned up their needs. They clean up the market in whatever price they can buy them for so much off. It is simply because they are enabled with the large amount of hogs they have in their backyard ready to start their killing crews to be in a position where they do not have to compete for the hogs that they might have need for that day.

I am sure that each and every one of you men, if you were a packer and you had need for 20,000 hogs a day, and you had approximately 50 per cent of those hogs in your yard ready to start your killing crews going, you would not be a bull on the market, but by having those hogs there it would permit you without any question to depress the market on that day in order that you could buy your hogs lower the next day out in the country, which are the selected hogs from the farmer who is no position to combat you or dictate to you in any way as to what price he is going to receive from those hogs direct.

*By Mr. Factor:*

Q. You subscribe to that?—A. Yes, I subscribe to that.

*By Mr. Sommerville:*

Q. From your experience?—A. From my dealings in the United States market.

*By the Chairman:*

Q. And you subscribe to it from your experience in the Canadian market?—A. Yes, in the Canadian markets.

*By Mr. Sommerville:*

Q. What do you say as to this statement? Do you subscribe to this, or what is your opinion upon it from your experience? Mr. Hildebrand, in his sworn statement goes on to say: "The old argument that in marketing your hogs direct that you save certain marketing expenses is erroneous, for it certainly should be clear to everyone that the producer pays the freight regardless of the fact whether it is purchased direct or at the terminal market. And if we will only compare the methods employed by the packer in direct buying, we learn that some man is employed on a salary or he is paid a commission for his services, or designated as a selected shipper, consequently the producer sells his hogs through a middleman instead of through his agent on a terminal market, but is denied the benefit of a competitive market." What do you say to that, as to conditions in Canada?—A. As far as freight charges and other charges in country buying, the packer must pay the same whether it comes direct or whether it comes to the plant. As far as expenses of salaried men is concerned, I could not answer that question.

*By Mr. Young:*

Q. That is to say, the producer pays freight; you told us a moment ago about some carload that went into Edmonton and the charges were 86 cents a hundred. How much of that was freight? Let us get at the cost?

*By Mr. Sommerville:*

Q. Before we come to that, let me finish this statement. I have got some exact statement?—A. I have the exact figures here.

Q. At any rate, the packer sets up an organization to take care of buying direct; he pays for that organization?—A. Yes.

Q. And that is part of his expenses of buying?—A. Yes.

Q. And I presume that it must come out of somebody?—A. Well, there are similar cases in Canada where the packers operate what they call concentration centres through the country, and they must keep men to look after these collecting agencies in the country; that is the same system.

Q. Give me a case of a concentration plant in Toronto now; tell me what you know about the Davies plant, for instance?—A. That is a concentration plant at the present time; I have not got the exact figures.

*By Mr. Young:*

Q. Tell us exactly what a concentration plant is?—A. Where they centre shipments from the country to a certain plant.

*By Mr. Sommerville:*

Q. That is to say, the Davies plant in Toronto was one of the plants that was given up as a packing plant?—A. Yes.

Q. When the merger took place?—A. Yes.

Q. It is located in the east end of Toronto?—A. Yes.

Q. And to that Davies plant the truckers bring their supplies of hogs and cattle?—A. Yes.

Q. And they are collected there?—A. Yes.

Q. That saves the trucker from carting them across the city to the—  
A. To the stockyards.

Q. To the packing plant?—A. Yes.

Q. And the packing plant gathers them up at this concentration plant,—  
at these plants?—A. Yes.

*By Mr. Young:*

Q. Do all the hogs going to this plant belong to this company?—A. Yes.

Mr. SOMMERVILLE: They belong to the Canada Packing Company, the private collecting place.

*By Mr. Sommerville:*

Q. And then they are shipped from this place to the packing plant out at the stockyards?—A. Yes.

Q. And the man who takes them in, as I understand it, weighs them, grades them and pays for them?—A. That is as I understand it. Some of the commission men that are familiar with every detail, when they are giving evidence will tell you exactly.

Q. Do you know whether the quantity which is gathered there and sent to the packing plant will amount to as much as 1,000 cars a year? Do you know the quantity?—A. I understand from the stockyard people that the approximate total was 1,000 cars for 1933.

Q. So that it must pay the plant to buy these hogs, to assemble them at these places, to pay the cost of transporting them from the assembling point by rail out to the packing plant, rather than go across the road and buy them on the open market?—A. Yes.

Q. That is the situation, is it not?—A. I will make this statement: The commission firms in Toronto have tried on many occasions to co-operate with the packers and to have them send their live stock, particularly all live stock outside of hogs—calves, sheep and cattle—to the public stockyards; and the answer given by one of the packers was: "We would not subscribe to that, because that is the cheapest stock we get." That answers the question.

Q. That is the packer's statement?—A. Yes, that is the packer's statement.

Q. That the stock that he brought in direct is the cheapest stock he gets?—A. Yes.

*By Mr. Factor:*

Q. Well, I suppose the producers know that too, don't they?—A. The producer is out on the farm, and to a large extent he does not know what the trucker is going to get for his stock. With the highways to-day, the farmer cannot drive his livestock like he could in the early days, and he is anxious to get rid of his stock at the farm. He spends six or seven months getting his hogs ready for market. He spends two or three years getting his cattle ready for market; and he decides in half an hour how to sell them, just by turning them over to a trucker and saying, "take them in and get what you can for them and bring back the check."

Q. And you want us to tell the producer how to sell for a better price; is that the situation?—A. We want the buyers to buy on the open competitive market. Then the producers will go where they can get the best prices.

*By Mr. Sommerville:*

Q. At the present time they cannot get the best prices because of the want of competition?—A. Lack of competition.

*By Mr. Factor:*

Q. Why do 75 per cent of the producers there in the case of hogs still go to the plant? I have not yet received an explanation of that?—A. That letter that I read showed that that producer, on one shipment, because it was a broken load, had to get a trucker to take them in, and the trucker wanted to go to the plant, and he took them to the plant. On the other lot, he sent them in a car and sent them to the stockyard.

*By Mr. Young:*

Q. Why does the trucker go to the concentration plant instead of direct to the plant? You say it saves him hauling them through the city?—A. That is it.

Q. How much saving is that; what does it amount to?—A. It is practically six to seven miles from the Davies plant to the stockyards.

*By Mr. Sommerville:*

Q. Six or seven miles, you say?—A. Yes, about that.

Q. From the Davies plant?—A. Yes.

Q. And it is saving driving across the city a few miles in traffic?—A. Yes.

*By Mr. Young:*

Q. Does that make any difference to the rate he charges for hauling them in, if you are a farmer?—A. I don't think so. I don't think that the trucker takes any less rate. I don't know.

*By the Chairman:*

Q. The trucker gets more out of it?—A. Yes, the trucker is out for all the earnings he can get.

Mr. SOMMERVILLE: It saves the trucker some time in carting them across the city.



*By Mr. Young:*

Q. If you are a farmer selling stock through this trucker and you say, "I don't want you to stop at the concentration plant, I want you to go right through to the packing plant or stockyard," will he say that it will cost you more?—A. We had a law put in a little over a year ago whereby for all stock brought in by truck from farmers, they were to bring a bill of lading; but for some reason or another that has not been enforced.

Q. A bill of lading; you mean billed to a definite point?—A. Yes, billed to a definite point, billed to a definite salesman or to a definite packing plant; and that bill of lading would accompany the stock with the truck. That would be a great improvement over the present system.

*By the Chairman:*

Q. But that is not in practice?—A. That is not being enforced. I stated in my brief that all truckers and all agents handling farmers' funds should be placed in the same position as salesmen representing the producer. In other words, gentlemen, you cannot expect to have anything but grievances when one-half of the people in the trade are tied with fixed legislation, and the other half are free. You cannot expect anything else but grievances.

*By Mr. Young:*

Q. You are getting away from my question?—A. No.

Q. I want to know why the packing companies want these hogs delivered at these concentration camps and then later have to pay freight on them to their packing houses?—A. My feeling is that the net cost by rail will be less to them than if they bought on the public market.

Q. But the trucker may go right through to their packing plant?—A. That is my answer. I feel the net cost by rail would be less to the packer. That is the reason he buys in that way.

MR. SOMMERVILLE: If the trucker does not have to drive from the east end of the city to the west end, he is likely to get more from the truck; is not that the answer?

MR. YOUNG: No.

MR. SOMMERVILLE: That is the practice.

MR. YOUNG: Why does not the trucker sail right through the city and deliver to the packing plant?

MR. SOMMERVILLE: Because he gets no more, and he takes an hour or more longer at the job.

*By Mr. Young:*

Q. Why does not the packer give him more if he can save more by doing so?—A. We have a case in point practically similar. In Edmonton there is what they call north Edmonton and south Edmonton. There is a packer located in south Edmonton at one of these yards. He is not as large a packer as the other packers, and he was getting more surplus of hogs coming to his plant than he could use. He has applied for a commission man's licence and secured it. He is now filling orders from that concentration plant to Toronto packers.

*By Mr. Sommerville:*

Q. One packer selling to another?—A. Yes.

*By Mr. Young:*

Q. In other words, it is a reservoir where he puts the stock until he is able to use it?—A. Yes.

Q. Suppose there were no such reservoir and it had to go on into the stockyard or direct to the plant, and the plant was not able to handle it at the time, then what would happen to your market?—A. Might I answer that by quoting a personal experience which will illustrate the point?

Q. You can try to?—A. In the year 1920, shortly after the war, cattle were selling fairly high. I had bought that week in Toronto 102 carloads of live stock, the bulk of it moving to Pennsylvania. They would not arrive at destination for six or seven days. I was remaining in Winnipeg. On Monday morning the banks in Chicago announced that they would not advance money to feeders unless there was a break in the market of \$3 per hundredweight. This big break of \$3 per hundredweight on this 102 cars would have meant a \$75,000 loss. I am putting myself in the position of the man you are asking me about. The machinery stopped. The commission men would not sell in Toronto. I wired immediately to Pennsylvania to take all the stock off the market and hold off. I got on the train that night. I arrived in Lancaster on Thursday morning, a beautiful, sunshiny day. The stock was all being well fed, well cared for, well bedded, and the cattle knew nothing about the break of \$3 per hundredweight in the market. I went round and spoke to the salesmen. I said, "What do you think?" I got their ideas. I said, "Now, we won't offer anything until next week. We will keep them off the market." Practical men all over the States, in every market, and in Canada, did the same thing, held the stock and kept it off the market in that glut or break of \$3 per hundredweight. The following Monday morning Chicago came out with \$1.50 a hundredweight up. They had decided they could not break the market \$3 a hundredweight; they broke it \$1.50. My cattle in Pennsylvania had gained from 1,000 to 1,200 pounds per car over what they would have weighed the previous week. With that 1,000 to 1,200 pounds per car, and the price at that time was 13 to 14 cents a pound, you can figure what the difference in weight meant to me. When we got through, instead of having a loss of \$75,000 on that shipment, we took a loss of about \$10,000. Now, had those 102 cars been going to packing plants either in the United States or Canada, what would have happened? They would have been settled for at the break, and that \$75,000 loss would go back to the producers in western Canada, and the producer would eventually have to pay the bill.

*By Mr. Sommerville:*

Q. In the direction of the cattle, they were in his hands?—A. Absolutely.

*By Mr. Young:*

Q. You avoided that loss because you were in a position— —A. Because I had a public stockyard to sell my stuff.

Q. You were in a position to put this cattle some place and take care of it until the market recovered?—A. Yes.

*By Mr. Sommerville:*

Q. In stockyards?—A. In stockyards.

Mr. YOUNG: He had a place to put them where he could take care of them.

*By Mr. Young:*

Q. At these concentration plants you spoke of, the packer has a place to put the surplus stock until the market can absorb it?—A. No. At these concentration points, the packer moves the stock daily from these concentration points to his packing plant.

Q. He moves them every day?—A. Yes, he moves them daily, and if there is any surplus he cannot sell, like in Edmonton, he ships them out to other packers.

Q. I understood you to say that they kept these concentration plants because they were not always in a position to handle everything that comes in?—A. No. It is collected daily, and they are shipped daily.

Q. They are shipped daily?—A. Yes.

Mr. SOMMERVILLE: We will have full evidence on that from another witness.

Mr. FACTOR: More evidence?

Mr. SOMMERVILLE: On the question of surplus.

Mr. FACTOR: When are we going to get through with live stock?

The WITNESS: It is the major industry of Canada, and it is the most serious problem to be dealt with at the present time.

*By Mr. Young:*

Q. I am not clear on this point yet?—A. I hope I can clear it up.

Q. Suppose several carloads of hogs, we will say, come to this Davies plant?—A. Yes.

Mr. SOMMERVILLE: No, no carloads go to the Davies plant at all.

Mr. YOUNG: It does not matter.

Mr. SOMMERVILLE: It is truckloads.

Mr. YOUNG: I don't care whether they come in cars or not.

Mr. SOMMERVILLE: Mr. Young, you apparently misunderstand the situation. This is a place at which truckers deliver their stock for the convenience of truckers, so that they can get back into the country, and the packers then put the collected stock into cars and transmit it to their plant.

Mr. FACTOR: Mr. Young may misunderstand; I don't understand at all.

Mr. SOMMERVILLE: Well, that is the system, at any rate, that is working at the present time.

*By Mr. Young:*

Q. What I want to get at is this: Hogs are delivered to this plant?—A. Yes.

Q. If they were not delivered there, if they were all sent directly to the packing plant, there would be a glut in the market?—A. No.

Mr. SOMMERVILLE: No glut.

The WITNESS: There is no glut. There is a shortage of hogs in Canada at the present rate of delivery.

*By Mr. Young:*

Q. I mean at times?—A. I mean last year. There is no glut.

Mr. SOMMERVILLE: If there is a glut, they won't buy them even at the concentration plant. It is on the outskirts of the east end of the city in order to help the trucker to get back to get more. That is the object of it.

*By Mr. Young:*

Q. You say it makes no difference to the rate of the trucker's charges, the fact that he does not have to haul these cattle across the city?—A. I cannot answer that question. I don't think it does. I think the same rate applies.

Q. But you don't know?—A. I don't know.

*By Mr. Sommerville:*

Q. Now, with regard to Mr. Hildebrand's statement, I ask you what you say as to this sworn statement of Mr. Hildebrand that "every hog purchased direct provides the packer with the greatest club he has ever had in depressing



the price paid the actual producer." What do you say as to that, in Canada?—A. Well, I might not use the same terms as that. I say that every hog the packer buys direct places him in a better position of not having to go on the competitive market.

Q. And staying off the competitive market destroys the market?—A. Absolutely.

Q. For the producer?—A. Yes.

*By Mr. Young:*

Q. Does it not also stop that hog from going to the competitive market?—

A. I beg your pardon?

Q. A hog sold direct to the plant—A. Yes.

Q. —without the necessity of the packer going into the yard to buy that hog, does it not also keep that hog off the market, off the stockyard?—A. Yes, but that does not affect the situation, keeping it off the market. It is demand for the greater number that creates the competition and the price.

Q. If you take half the buyers off the market, Mr. Kennedy, and also take half the hogs off the market, is the result not the same?—A. Absolutely not.

Q. It is not?—A. No, absolutely not, because there is no bargaining power at the plant at all. The bargaining power is all at the public market. There is an expert buyer against the trucker at the plant.

Mr. ILSLEY: That is a different point.

The CHAIRMAN: I really think we must try and make a little more rapid progress; might I appeal to the committee to this extent? Correct me if I am wrong, but the point that Mr. Kennedy is labouring is this, I think, that by buying direct—and it is a point we have had over and over again—

Mr. FACTOR: Yes, we have had it over and over again.

The CHAIRMAN: By buying direct, the packers are placed in a position where they are not keen competitors on the open market.

The WITNESS: Yes.

The CHAIRMAN: And therefore competition in prices is correspondingly lowered. That is really the point. I imagine we have got enough evidence on it, really.

Mr. YOUNG: We have got a lot of evidence, but none of it has been convincing, Mr. Chairman.

The WITNESS: Mr. Chairman, I might answer that in this way: This committee is investigating every branch of the industry that has anything to do with the producers of live stock, and when you get all the facts and figures in front of you, you should then be able to determine where the cheap stock is, and the whole story.

*By the Chairman:*

Q. That is your evidence, in any event?—A. That is my evidence, from experience over a period of 40 years.

*By Mr. Factor:*

Q. And the remedy you suggest is to compel the buyer or packer to buy at the public stock market?—A. All live stock should be bought on the open competitive market.

*By Mr. Ilsley:*

Q. Mr. Young's point has been mentioned before, and it is important I think to have these witnesses answer it if they can; his question is this, if you reduce the demand by 50 per cent on the stockyard and reduce the supply by

50 per cent, why is not your resulting price likely to be the same?—A. For the simple reason that there is no bargaining power at the plant, and if the packer had to buy 100 per cent on the open competitive market where he is competing with other buyers, it is a different story entirely.

*By Mr. Sommerville:*

Q. When he is not competing on the 50 per cent, he reduces the whole market?

*By the Chairman:*

Q. Anyway, Mr. Kennedy, that is your answer?—A. That is my evidence.

*By Mr. Factor:*

Q. What would happen if we eliminated the stockyards entirely and had the farmers sell direct to the packers?—A. One of two things should be done, either close the stockyards, or change the system. We are perfectly prepared to take care of ourselves, everybody in the trade, but the trade is not going to take care of itself with legislation against them and to the advantage of the packer.

*By Mr. Sommerville:*

Q. What other means is there of reducing competition on the market, that is adopted by the packing interest which you find detrimental to prices on the market?—A. The publishing of tickets and the prices on tickets on the public market.

Q. That acts in the interests of whom?—A. In the interests of the large buyer.

Q. Why do you say that, will you just explain that?—A. Any salesman, or any dealer in live stock, would tell you that on a dull market when but a few sales are going over the scales at the scale house, the buyers will all go in to find the price paid for the last car of stock gone over the scale. They will find out not only the price, they will find out the purchaser and where the stock has gone. In one stockyard in the west, where a very small percentage of live stock is bought on the open market, the highest priced buyer of the packers is practically permanently on the market reporting every hour to the head office the prices that have been paid on the public market, and the purchasers. That places the large packer in this position, that he knows immediately what the small creditor has paid for his live stock; but the small competitor does not know what the packer has paid at his plant for the large supply. And what I have said before is this, that every plant in the industry should be put on the same footing. If all stock is not marketed through the public stockyard, then the same regulations that apply to the public market and to the commission houses should apply to the packing houses, then we would all be on equal footing.

*By Mr. Young:*

Q. That is to say, you would make the packer publish his prices?—A. Absolutely.

*By Mr. Sommerville:*

Q. You say that this high priced salesman or buyer for the packing plant does not buy?—A. Absolutely.

Q. But he spends his time in watching the tickets and reporting regularly?—A. He is an expert, and he knows the quality of that load, and knows exactly how it will suit, and all that information is flashed to the head office; and that is used in direct shipments, and in settling for direct shipments.

*By Mr. Factor:*

Q. Would you be satisfied if all the regulations applying to the stockyards were applied equally to the packing plant?—A. It would be a poor substitute.

*By the Chairman:*

Q. A poor substitute for what you have been advocating?—A. Yes.

Q. But it would be an improvement on the present system?—A. It would be an improvement on the present system.

*By Mr. Sommerville:*

Q. What do you say as to the feeding of lambs and cattle by the packer, and the effect that this has upon the market. Perhaps you will explain to the committee just what is the practice at present—take with reference to lambs, for instance?—A. Well, if a packer has several hundred or a thousand lambs on feed suitable for market, and just across the street from the market, and he feels that the light supply coming in from the farmers is going to raise that market to a higher point than he would like it raised, he can easily bring over a few hundred of those lambs from his feed lot and put them into the killing pen.

*By the Chairman:*

Q. And lay off from buying?—A. He would not need to buy on the public market.

*By Mr. Sommerville:*

Q. Are lambs brought in large bodies from the west and fed in central markets?—A. Quite a number, yes.

Q. They are bought in the fall of the year and fed during the winter, and then brought out in the spring in competition with the farmer, and have the effect that you have indicated?—A. Yes.

Q. Does that same condition prevail with respect to the feed lot maintained by the packers for cattle, we heard from Mr. MacLeay something about the feed lots that were maintained?—A. There are not very many cattle fed by the packers in recent years.

*By Mr. Young:*

Q. Do you think that is a practice which should be stopped?—A. I would not like to state what should be done there. In my judgment every unit should be entirely separate; in this way, the packing company should look after the packing business, the farmer should look after the producing of live stock, the commission salesman should look after the selling of live stock, the stockyard company should be only interested as a utility in providing services for the shippers and for the trade. I do not think it is part of the business for the stockyard company to be in the commission business, or any other private business; I think if every branch is looking after its end of the business, the farmer will be better served.

Q. What provision then would you make for these thousands of lambs that come in in the fall?—A. If the farmers could get the money to feed these lambs—when I was in Edmonton last fall I saw a ticket come in on a load of feeding lambs that weighed sixty pounds and were sold at a dollar forty per hundred-weight, and the farmer got eighty-four cents per lamb for these lambs on the Edmonton market.

Q. And they were sold to the packers?—A. I do not know who they were sold to, I do not know whether the packer got them or not. If the farmers could get the money to feed the lambs I think there would be more competition. In fairness to the packer I would say this that if the farmers were taking all that off, I do not believe the packer would go into the feeding of live stock.



Q. The packer is doing it because there is no other market, his only competitor for that kind of stuff would be the farmer?—A. That might be quite true.

*By Mr. Sommerville:*

Q. You say, if he could get the money the farmer might take these lambs and feed them and bring them on the market at a time it would be profitable to him?—A. Yes.

Q. And he does not do it now because of the fact that there are large shipments in the hands of feeders, or packers, that would affect the market when he does have his own lambs ready for market?—A. They know that that has been the practice for several years.

Q. And that discourages feeding?—A. Yes.

*By Mr. Young:*

Q. You were saying that the practice should be stopped; the packer should be stopped?—A. I am not dictating what the packer should do or should not do, he is a free lance; it is for this committee to get the evidence itself, and see what legislation should be put in.

*By Mr. Sommerville:*

Q. You deal in your brief with the problem of surplus cattle. The suggestion has been made that the surplus should be taken from the bottom, the lower grade?—A. And encourage the best cattle for export, absolutely; but the removal of the inferior grades at the bottom would certainly relieve the situation very materially.

Q. And how would you remove these grades, what would you use them for?—A. Animal and poultry feed.

Q. These are what you call the canners and cutters?—A. Yes.

Q. And at the present time do these inferior grades find their way into the retail trade?—A. Yes.

Q. And are these cuts which you find advertised in some of the cut-rate butcher shops which compete with the better trade?—A. I understand so, but I believe a wholesale butcher would be the one to answer that question.

Q. Yes, and do you think that there is room for the removal for the market of a sufficient number of these to remove the surplus, and would that affect the sale?—A. I feel confident.

Q. Perhaps if you will just explain what is done with them to Mr. Factor; both he and I are lawyers, we are not in the cattle industry, and we do not understand all these things.—A. Canners are boned out and used in meat products as feed for fowl and feed for animals.

Q. Mixed with other commodities?—A. Yes, and they are used for tankage and fertilizer.

*By Mr. Factor:*

Q. You mean that source would be sufficient to remove them?—A. There is quite a percentage of these low-priced cattle.

*By Mr. Young:*

Q. What price would these cattle bring on the market now if they were going to be used for fertilizer?—A. I think the price last fall was  $\frac{3}{4}$  of a cent a pound for canners, 75 cents a cwt.

Q. Why do they call them canners?—A. The old term, putting them into canned goods, I suppose.

Q. Yes, that is for human consumption; but for fertilizer, what would you call them?—A. There is quite a large percentage.

Q. Would they bring  $\frac{3}{4}$  of a cent a pound for fertilizer?—A. I am not in a position to answer that question.

Q. Do you think anybody would pay  $\frac{3}{4}$  of a cent a pound for them to make them into fertilizer?—A. I think they would.

*By the Chairman:*

Q. There is a very interesting point there; this inferior stock—we will call them by their trade name, canners and cutters—they are the class of cattle that are not supposed to be fit for sale for human consumption?—A. They are the worn-out cows.

Q. Now, as a matter of fact, at the present time a substantial proportion of that does go into the fresh meat trade?—A. As I understand it.

Q. You are not in a position to give any definite evidence on that?—A. No, I am not in a position to give evidence; the wholesale butchers could tell you.

Q. It is obtainable but Mr. Kennedy says that he cannot give us definite evidence on this point; personally I have evidence that it is. We will assume for the moment that it is done; it has a definite effect upon the price of good beef?—A. There is no question about that.

Q. Lowering the sale price for the retailer of good beef, and it also reflects upon the price of beef on the hoof in the market?—A. That is right.

Mr. YOUNG: To whom is this meat sold?

The CHAIRMAN: To you and I, if we are foolish enough to buy it.

*By Mr. Young:*

Q. To whom is it sold?—A. If you were to take a fairly thick canner and take a good cut and bone it, you might get it as hamburg steak, I don't know. I am trying to deal with the live stock industry, I am not at that end of the business.

The CHAIRMAN: I think, Mr. Young, in view of Mr. Kennedy's answer, that he could not answer it, we will get just where that is marketed from some other witnesses; I can assure you of that.

*By Mr. Young:*

Q. The point I want to make is this, it is not sold to the man who pays 25, 30, or 35 cents a pound for his meat; it is sold to the man who buys meat at 5 and 10 cents a pound, is it not?—A. I would rather you asked this question from men who are in the wholesale meat business, who know exactly what the practice is.

The CHAIRMAN: I think that is fair.

The WITNESS: There is just one point I might mention here in talking about canners, there is quite a fair percentage of canners that are condemned and that go to the tank for tankage. Then there is condemnation insurance, that has been discussed here by different witnesses, and I am not in a position to say whether that condemnation insurance is profitable or otherwise to the packing industry; but that condemnation insurance account should be audited regularly, because the producer pays the condemnation insurance, not only on the diseased animal, but on a healthy animal, and I would say that the account should be audited regularly.

The CHAIRMAN: That is right.

The WITNESS: And if the charge is too high, it should be lowered.

*By Mr. Factor:*

Q. Is there a separate account kept?—A. As I understand it, yes.

*By Mr. Sommerville:*

Q. If all cattle were marketed through stockyards, as you say, what reduction do you believe would be possible in charges both of stockyards and of commission men in the marketing process?—A. In my judgment there would be a substantial reduction both in commission charges and in stockyard charges; as to how far that reduction would go I could not answer that definitely, because as I said before when volume gets by a certain point, all these stockyard companies and commission houses must increase their overhead to give service. In other words, the commission firms and the stockyard companies have nothing to sell but service, and if they fail to continue that service, then they lose out entirely, so they must give efficient service.

Q. You think there would be a substantial decrease?—A. There would be a substantial decrease.

Q. And that would be dependent upon the volume?—A. Absolutely. I may say this, as representing the Edmonton and Saskatoon stockyards, there was a great deal of complaint over the last couple of years about the charges for hay especially at the stockyards, and a year ago in February the stockyard specialist, Mr. MacCallum, came to my office in Toronto and asked if we would consent to a decrease of 10 per cent in feed charges. I said to Mr. MacCallum, ten per cent won't have any effect at all on a carload of cattle—a carload of cattle will eat 500 lbs of hay, which is a quarter of a ton; that would be \$2.50 profit that the stockyard would be getting—\$10 a ton profit, and 500 pounds of hay would be a quarter of \$26 which we were charging at that time; that would be \$6.50 that the 500 pounds of hay would cost the producer. Now, I said if we reduced it ten per cent, that is \$2.60 a ton, and it will have no effect at all, it will simply increase our loss and not have any effect so far as the producer is concerned. I said, I will tell you what I will do; I will recommend to our trade and we will put into effect immediately if you can get the consent of the Minister, and we will reduce the charges 25 per cent instead of 10 per cent—on hay and meal, on feed—we will reduce the charges 25 per cent and we will put it into effect for a period of six months.

*By Mr. Young:*

Q. That is, you would sell the hay at \$19.80?—A. Yes, about that—hay was selling around \$20 or \$22 a ton at the time. We got regular reports from our managers at both markets month by month.

Q. This went into effect in Saskatoon and Edmonton?—A. Yes, in February of 1933. We did it conscientiously, believing that the amount, 25 per cent, might increase the volume and offset the complaint of the producer. Month after month we got our reports and there was no appreciable increase in volume at all. It had no effect and month after month our earnings on farmers' shipments of stock simply showed a loss of that much more every month.

Q. That much more. You had been taking losses on that?—A. We were making losses on producers' stock. If we did not have revenues from the railways and from rentals and car cleaning and things like that, we could not exist in the western stockyards to-day with the volume that is moving.

*By Mr. Sommerville:*

Q. So for six months' period you made a test?—A. We made a test for six months, and it cost several thousand dollars to each company, and it had no beneficial effect so far as the producers were concerned.

*By Mr. Young:*

Q. You were selling hay at \$20 a ton? What was it costing you?—A. Our hay at the present time—the wholesale price of hay in Edmonton is \$11.



*By Mr. Sommerville:*

Q. Do you remember what the relative price was then?—A. Practically the same, from \$9 to \$11.

Q. Say an average of \$10?—A. Yes, practically.

Q. You were getting a profit of \$10 a ton on the handling of hay at that time?—A. We figure approximately—the way \$10 a ton is figured is this, so there would be no misunderstanding, it is the wholesale price in the city over the period of a month that is taken. The stockyards may pay more, and they may pay less. It is the wholesale price. I am telling what happens. It is the wholesale price month by month that is taken, and it may be approximately \$10.25 or \$10.50. To that \$9.50 is added plus \$4.50 handling charge. Now, I will say this gentlemen, being an operator for a great many years, I had to take a good many chances, and there has been a great deal of planning—

*By Mr. Factor:*

Q. What do you mean by “operator”?—A. Buying and selling live stock. The last time I was in the west I met a group of producers and stockyard people, and I said, gentlemen, I will tell you what we will do. At Edmonton or Saskatoon, if the individuals say so, we will cut out provision for hay entirely. We won't have to carry hay, and we won't have to keep it insured. It will save a great expense, and we will allow the shipper or the producer to get his hay baled and bring it in, and feed it himself in the yard, and we will charge \$4.50 for the handling charges in the yard.

*By Mr. Young:*

Q. You take it from his car to his pen?—A. Let him bring it in. We are simply taking \$4.50 for the handling charge on the feeding of the cattle and looking after the responsibility in the yards. He can take hay from the stack, have it baled and bring it in and feed it himself, and every 24 hours that the cattle are in the yards we will charge a yardage, just the same as the hotel does. When you take a room in the hotel you pay so much per day, and as soon as the 24 hours are up you pay another day. You have to buy your food either outside or in the hotel, whichever you like. Now, the stockyard is run under the same principle for live stock, exactly.

The CHAIRMAN: On the European plan?

The WITNESS: On the European plan. No man will invest in a stockyard unless there is a reasonable chance to get a return on the capital invested, because the stockyard plant depreciates very rapidly. Now, there is our position, gentlemen, in the stockyards. We do not want anything but a reasonable profit on our services in the stockyards.

*By Mr. Young:*

Q. Do you keep a separate account for your hay?—A. Absolutely.

Q. How does it stand? Does it stand you a profit or loss over the year?—A. I cannot answer that question. Our general manager will be here, and I understand he will give you all details.

Q. But you are selling hay, and you buy it by the bale, do you not?—A. We sell it by the bale, 100 pounds. That is the way we sell it in Edmonton.

Q. You call a bale 100 pounds?—A. It might be 98, and it may run to 102 or 103.

Q. Does it ever run to 110?—A. I cannot answer that question.

Q. Does it ever run as low as 70?—A. Whatever the average is, the purchaser gets the benefit. One purchaser may be a little over 100, and the other

purchaser may get a little less. If we were to check over every bale and weigh it, we could not sell it for \$10 profit.

Q. I know it would cost money, but it does not often happen that a bale of hay weighs 100 pounds?—A. Well, the hay we buy at Edmonton will average 100 pounds.

Q. How about Saskatoon?—A. I cannot answer for Saskatoon. Some Saskatoon is prairie hay, buy it in southern Alberta. We will give you all those figures, Mr. Chairman.

Mr. SOMMERVILLE: We have asked the managers of certain stockyards to come to present their answer to the charges that have been made, stockyard charges and yardage, that these charges are too high.

Mr. ILSLEY: Are they going to give the capital structure of the companies?

Mr. SOMMERVILLE: Some of the financial statements have already been filed. The secretary has already written letters, and these statements are being prepared.

Mr. YOUNG: Has Mr. Kennedy anything to do with that part of it?

The WITNESS: The whole statement will be before the committee?

*By Mr. Factor:*

Q. You are the president?—A. Of the Edmonton and Saskatoon companies.

Q. You are president of the Edmonton and Saskatoon companies?

*By Mr. Young:*

Q. You are not in a position to tell us anything about your capital structure? —A. No, that will be sent to the committee in reply to the letters.

Mr. SOMMERVILLE: We had filed his morning the capital structure and financial statement of several of the yards. The balance will be in in the course of the next week.

Mr. ILSLEY: You cannot tell much about it without having someone to answer questions.

Mr. SOMMERVILLE: The managers are to be here with their statements to answer questions in respect of them.

Mr. ILSLEY: The books often do not reflect the facts.

Mr. SOMMERVILLE: They can be examined as soon as we have all the financial statements.

Mr. ILSLEY: You see certain things carried in books which do not show the real price at all.

Mr. YOUNG: You were going to have Mr. Kennedy explain this 86 cents per hundred pounds.

Mr. SOMMERVILLE: Yes. You have attached to the brief you have prepared as statement— —A. The second last page of the brief.

*By Mr. Sommerville:*

Q. You have attached to the brief you have prepared a statement showing varied shipments of different classes of livestock, showing the market charges in respect of the same and all the cost of marketing?—A. Yes.

Q. You are referring here to 11 shipments, and the date of the shipments is March this year. You show the name of the consignor, point from which they are shipped, the miles from Edmonton, the contents, cattle, calves or hogs, the total marketing charges including railway charges?—A. Yes.

Q. Now, taking the first one, you show W. Sutton, Mallaig, 121 miles from Edmonton, the total cost \$101.28, of that 58.5 per cent was railway portion of the charge?—A. Yes.

Q. 3·5 per cent was the Alberta government brand inspection?—A. Yes.

Q. 21·3 per cent was the percentage to the stockyards?—A. Yes.

Q. And 16·7 per cent to commission firms?—A. That is right.

Q. And the same thing is true of all the other shipments in the operations given here?—A. Every load.

Mr. FACTOR: If the shipment of Sutton's had been shipped direct to the packing plant, there would be a saving on the last two items.

Mr. SOMMERVILLE: The last two items amount to 37 per cent of \$101.

The WITNESS: We put in a good many shipments from one quarter of a dollar per hundred.

Mr. SOMMERVILLE: If he got the same weights and the same prices for his cattle and the same grades?

The WITNESS: Yes, if he had.

Q. If he did, there would be that difference?

*By Mr. Young:*

Q. These figures here do not give anywhere near 86 cents a hundred pounds. The total cost here is \$101. \$125 is the highest. You spoke about a carload costing 86 cents a hundredweight. How do you explain that?—A. That would be total charges.

Mr. SOMMERVILLE: These are not on the hundredweight basis.

*By Mr. Young:*

Q. \$125 is the highest here; that would not amount to 86 cents a hundred? —A. \$105.66 on a load of cattle, if there was 20,000 pounds, that would be over 50 cents a hundredweight.

Q. That is a long way from 86?—A. I say then you add your stockyard charges and commission charges.

*By Mr. Kennedy (Peace River):*

Q. There is one charge that is not in here, and that is when a man comes in with them and he is paid something?—A. The stockyard company have nothing to do with that. I will say this, gentlemen, that any information I have given here in the way of facts will be borne out by the actual facts in the books. The charges on that particular shipment were exactly as I read them.

*By Mr. Young:*

Q. Are there any other charges in addition to this that come out of the carload of stock?—A. There are no other charges except what are shown here.

Q. We had a gentleman here one day giving us evidence of charges on a carload of stock going through the Winnipeg stockyards and we took his word for it, while a day or two afterwards another gentleman came along and said that there were other charges that he did not mention at all, and of course the man was gone and we could not question him any further?—A. These charges are what was taken off the shipper or producer at the Edmonton market, and every-one of those shipments you will note has the car number, the man that shipped them,—his name is here, the station he shipped from, and you can write any man and get a copy of his invoice, and the charge is exactly what is here.

Q. The money he received was the total selling price of the cattle, less this \$101, or whatever the figure is?—A. Less those charges.

*By Mr. Sommerville:*

Q. The commission man, when he sells the cattle, pays the railway?—A. We pay the railway.

Q. Yes; he pays the stockyards?—A. Yes.



Q. And he pays his own commission?—A. Yes.

Q. And he pays the Alberta government?—A. The commission men pay all the charges, and we settle.

Q. I mean, it looks as if the commission man's charges are very high when he makes payment to all the rest, to the railway and to the stockyard; is not that a fact?—A. I didn't get that. No, the percentage 16·7 on \$101.28 would be practically \$17 per car; and 17·6 is the proper percentage on \$96.68, all the way down.

Q. Now, you have dealt with the first 11 cars; these are shipments that came in by car. You dealt with the shipments by rail?—A. Yes.

Q. Then you give four instances of shipments by truck?—A. Yes.

Q. What do you mean by the item in the first column, 50 cents a hundred-weight; does that refer to the charges?—A. That is supposed to be the trucking rate.

Q. That is to say, on the first lot, R. H. King, Colinton, 76 miles away, shipped in 2 cattle by truck?—A. Yes.

Q. And the trucking charge is 50 cents a hundredweight?—A. Yes.

Q. The whole charges were \$13.30?—A. Yes.

Q. The percentage to the trucker was 80 per cent of that; to the Alberta government one per cent; to the stockyards, is that 5·7?—A. 5·7 per cent.

Q. And to the commission firm, 12 per cent?—A. Yes.

Q. The trucker got 80 per cent of those marketing charges?—A. Yes.

Q. Then in the next case, D. J. Cranston, Fort Saskatchewan, 14 miles away, sent in 3 cattle; the total marketing charges including trucking charges were \$10.89, of which the trucker got 63·7 per cent, the government got 2·8 per cent, the stockyard got 11·5 per cent and commission firm 22 per cent of that charge?—A. Yes.

Q. In the case of the next one, H. Phillips of Lamont, 34 miles away, shipped 14 hogs; the total charge was \$13.68, of which the trucker got 66·9 per cent, the stockyards got 12 per cent and the commission man 20·5 per cent?—A. Yes.

Q. In the case of the last one, A. St. Louis, of Pickardville, 54 miles away, the trucking charge is 40 cents a hundredweight for 7 hogs; the total charge was \$7.61, of which the trucker got 69·9 per cent, the stockyards 11·7 per cent, and the commission man 18·4 per cent?—A. Yes.

Q. That is your break-up of the proportion or way in which these charges or marketing costs are distributed?—A. Yes. In every case practically you will notice that the percentage paid to the trucker, considering the mileage, is much more than the percentage paid to the railway. There is a note at the bottom, carload rate cattle shipment, 79 miles, practically costs \$3 per head; truck shipments, 76 miles, costs \$6.65 per head.

*By Mr. Young:*

Q. Would it be practical to ship one or two heads by rail; what would it cost?—A. They could get their loads together, to a large extent.

Q. Yes, if they were neighbours sufficiently close together to get their loads together; but suppose we have a truck coming in with two cattle?—A. Yes.

Q. If you shipped 2 cattle in by rail without the trouble of getting your neighbours to come together and make up a carload, what would your rate be then?

*By Mr. Sommerville:*

Q. It would be prohibitive, would it not?—A. Yes, prohibitive.

Q. Your point is that the method of marketing is unsatisfactory by truck?—A. My point is to give you the facts, gentlemen, so that you can decide for yourselves. There is the fact.

Q. I notice a shipment from Grand Prairie, 412 miles away, cost \$5 a head?—A. Yes.

Q. Now, Mr. Kennedy, with respect to the relative prices of cattle in Canada and cattle, calves and sheep in the United States in the last few months, have you any figures upon that subject which would be of help to this committee?—

A. I prepared a statement for October, November and December of 1933, and part of January, 1934, comparing the prices on Chicago with Montreal, and St. Paul with Toronto, Winnipeg, and Western Canadian markets.

*By Mr. Factor:*

Q. For what purpose?—A. The purpose was to show whether the net return to the farmer in Canada was very much below what they were getting in the United States. I wanted to know for this reason; in Edmonton at the end of October the best cattle were selling from 2 to 2½ cents per pound on the Edmonton market, the choicest young stockers for feeding purposes were selling at 2 cents per pound. They were a class of stock that we used to ship a lot of to Pennsylvania, and to find out the conditions ruling in Pennsylvania—I knew it was prohibited—but I wired from Edmonton and asked them what these young steers would sell for for feeding purposes to the farmers, the same as I used to ship; they wired back, from 5½ to 6 cents per pound.

*By Mr. Ilsley:*

Q. What does that show?—A. That was to show that the price had gone lower in Canada on the farm than it had in the United States; that is what I wanted to show.

*By Mr. Young:*

Q. What date was this?—A. This was in October, 1933.

Q. And how do you explain the fact that prices were lower here in October than they were over there?—A. The prices here were the lowest on record, and when I was out in October in Winnipeg, and Saskatoon, and Edmonton, and different places in the West, it was pathetic.

Q. What is your explanation of that?—A. What the producers were up against and the low prices.

Q. How do you explain that they went so much lower here than over there; can you give us any reason for it?—A. I have explained it already; lack of competition on the public market, and lack of money to have these cattle fed.

*By Mr. Ilsley:*

Q. I expect the difference would be due to very much more fundamental causes than mere marketing methods; it might be due to other causes?—A. There is no question about that at all, but the marketing methods—instead of the farmer getting 25 per cent of the cost of production, if the marketing methods had been changed, he might have got 50 per cent of the cost of production.

*By Mr. Sommerville:*

Q. Have you that statement?—A. If I might quote one statement here, the benefit of public markets, public competitive markets—as against direct shipments: the Saskatoon market was opened in the year 1927; we had for years no open competitive market in Saskatoon.

*By Mr. Young:*

Q. That is, no competition for the packing houses?—A. No competition for the producer when he had his stock for sale.



Q. No competition with the packers?—A. No open competition. At that time the spread—Winnipeg set the prices as a rule for Western Canada—everything was based on Winnipeg prices; and the prices that were ruling on hogs in the Saskatoon area before the Saskatoon market was opened was from 75 cents to \$1.50 per cwt. under the Winnipeg price. The largest buyers in this district prior to the establishment, and who continually bought from 500 to 700 hogs as their output, offered 50 cents to 75 cents per cwt. under Winnipeg, according to the prevailing price in Winnipeg.

Q. That is, in addition to the freight?—A. No, that was the spread to allow for freight and shipping, that was the spread between the Saskatoon price and the Winnipeg price. And then what happened: the market was opened in Saskatoon at this place where the packers could go and buy, and compete with each other, and other buyers; they started in as soon as the market was opened at a spread of 50 cents per hundred pounds between Saskatoon and Edmonton. That was a distinct advantage to the farmers all around the Saskatoon area. It was I think about a month after the market was opened that they agreed on a 30 cent differential between Saskatoon and Winnipeg, so that the opening of the Saskatoon market in giving competition, where producers of live stock could come and offer their stock for sale, the farmer was getting the difference between 30 cents and 75 cents per hundred, 45 cents per hundred pounds. Now, you can figure out what that means to the farmer.

*By Mr. Sommerville:*

Q. And that was the effect on hogs?—A. That was the effect in that district.

Q. Whether they came on the market or not?—A. Yes. I think you will have other witnesses here that are buying on these western markets; the local freight rate alone from Saskatoon to Winnipeg is 37 cents per hundred pounds. Why is the differential set at 30 cents?

Q. It should be  $37\frac{1}{2}$  at least?—A. 37 is the freight. You will have other witnesses here that will do it right along, because they can get stock to fill their orders on that market within 20 cents of the Winnipeg price.

Q. And that is because of competition?—A. Because of the competitive market, they can go there and fill their orders.

Q. And that local market then has created a situation where the farmer can get more for his hogs?—A. Than he could under the old system.

The CHAIRMAN: Now, I think that is all to-day, gentlemen. This statement of comparative prices in the United States will be filed as exhibit No. 94. Do you want Mr. Kennedy back here to-morrow?

Mr. YOUNG: I want to ask him a few questions; I might ask them now for that matter.

The CHAIRMAN: All right, go ahead.

*By Mr. Young:*

Q. You told us, Mr. Kennedy, that you had been in the export business?—A. Yes.

Q. And you exported to the United States, and to Great Britain?—A. Yes.

Q. And at that time there was considerable competition in the market?—A. Yes.

Q. Who were your competitors when you were exporting, the packers?—A. There were other exporters exporting as well as myself, quite a number.

Q. That is to say, the exporter was an effective competitor with the packer, was he not?—A. Yes, they were competitors with the packer.

Q. Why did you stop shipping to Britain?—A. Well, that is a long story; in the year 1926—



*By Mr. Sommerville:*

Q. There was a war on at any rate?—A. There was a war on in Great Britain. A war broke out between the investors in Great Britain and the large companies in the Argentine. Beef was sold in London and Liverpool at practically the cost of transportation.

Q. That is, Argentine beef?—A. Yes.

Q. And that affected the price of all beef?—A. That put practically everybody in the export business out of business. When that war started we had 14,000 spaces contracted at \$20 per head over a period of six months with the Steamship companies in Canada; that was \$280,000 of contracts out.

Q. For space?—A. For steamer space alone. We did not expect that that particular war would last over six or seven months; we had been hoping that the war would be over and that we would get back some of our losses. We had to continue filling that space month after month, and paying this heavy loss. We went out of the export business, and from that time to the present I have never seen, looking ahead for three months, any time, when an exporter could with safety contract heavy shipments, heavy space shipments, figuring that he could get a profit buying and selling on the open market. There have been times when we have got far more than they could get on the local market, and we are encouraging it all we can. We are buying from several farmers, but we have not gone back to the export business.

*By Mr. Young:*

Q. Since the export business was discontinued, the Canadian packers have had the market pretty much to themselves?—A. Export started again, I think, in 1931.

Q. In your opinion, is the exporter, coming on the market, the most effective competitor of the packer?—A. The exporter is a good competitor of the packer. The exporter yesterday in Toronto was buying on practically a higher price, except a few odd choice butcher cattle that got as high as \$6.25.

Q. He competes with the packer; they compete with each other?—A. They compete with each other.

Q. They make effective competition?—A. Yes.

Q. In your brief you make some very drastic recommendations. I do not know whether we should take up the time to-night to discuss them—

The CHAIRMAN: Would you like to call him again in the morning?

Mr. YOUNG: Yes.

Committee adjourned at 6.05 p.m., to meet again on Wednesday, April 11th, at 11 a.m.

## APPENDIX

Supplementary evidence submitted by Mr. J. M. McCallum, Chief of the  
Market Services, Live Stock Branch

(See printed record No. 11, March 20)

## SUMMARY OF LIVE STOCK MARKETINGS BY PROVINCES OF ORIGIN, 1933

—	Alta.	Sask.	Man.	Ont.	Que.	Total
<b>CATTLE*</b> —						
Shipped to stockyards....	85,042	111,824	77,398	289,167	24,614	588,045
Direct to packers.....	37,713	6,807	8,266	40,982	7,598	101,366
Total.....	122,755	118,631	85,664	330,149	32,212	689,411
Per cent direct.....	30.72	5.74	9.65	12.41	23.59	14.70
<b>CALVES*</b> —						
Shipped to stockyards...	13,703	30,092	27,502	149,963	89,429	310,689
Direct to packers.....	21,492	1,237	6,552	36,352	10,630	76,263
Total.....	35,195	31,329	34,054	186,315	100,059	386,952
Per cent direct.....	61.06	3.95	19.24	19.51	10.62	19.71
<b>HOGS</b> —						
Shipped to stockyards...	344,321	285,754	122,175	375,447	44,270	1,171,967
Direct to packers.....	687,848	204,545	122,202	981,492	21,498	2,017,585
Total.....	1,032,169	490,299	244,377	1,356,939	65,768	3,189,552
Per cent direct.....	66.64	41.72	50.00	72.33	32.69	63.26
<b>SHEEP*</b> —						
Shipped to stockyards...	68,566	54,216	40,643	184,343	124,218	471,986
Direct to packers.....	90,513	10,947	21,158	56,716	21,210	200,544
Total.....	159,079	65,163	61,801	241,059	145,428	672,530
Per cent direct.....	56.90	16.80	34.23	23.53	14.58	29.82

\*Figures for cattle, calves and sheep direct to packers are below the actual totals of these shipments as all plants were not reporting their direct purchases to the Live Stock Branch in 1933.

Figures for hogs are, of course, complete by reason of the fact that hog graders report all hogs graded at yards and plants.

HOUSE OF COMMONS, ROOM 368,

April 11, 1934.

The special committee appointed to inquire into price spreads and mass buying met at 11 o'clock, the Hon. H. H. Stevens, presiding.

Mr. Norman Sommerville, K.C., of Toronto, appeared as Counsel for the Committee.

The CHAIRMAN: The Minutes of yesterday contain a record of certain documents filed, letters that were presented, the resolution to call Mr. Douglas, the names of witnesses and about a dozen exhibits which were filed; unless there is some question we will declare the Minutes adopted. Now, yesterday, we were not quite through with Mr. Kennedy, we were virtually through with him, but Mr. Young desired to ask a few questions. We will call Mr. Kennedy again.

Mr. H. P. KENNEDY, recalled.

*By Mr. Young:*

Q. Mr. Kennedy, in the brief which you presented yesterday you make certain recommendations which I would like to have you enlarge upon. You recommend the creation of a live stock marketing board to control the entire marketing of live stock from the farmer to the final markets, and to protect the interests of both the farmers and the consumers. This Board has power to fix a minimum price on best grades of live stock which would give the farmers a minimum wage. And then you go on to add, the Board could arrange for continuity of export shipment, which would tend to stabilize domestic prices, and also ensure that only cattle of the standard and type required in Great Britain be exported. The same regulations will apply to bacon hogs. I would like you, Mr. Kennedy, to explain in detail as far as you can how this marketing board is going to work?—A. In my judgment the live stock industry is the major industry of agriculture. Under present conditions relief must come from the marketing end; therefore, the most experienced men available in the marketing of live stock and live stock products should comprise an independent board with full power to put into effect whatever are the findings of this parliamentary committee.

Q. Is that the marketing board you have in mind?—A. The live stock marketing board.

Q. With power to put into effect whatever the findings of this committee are; and then if this committee find that we will stop shipments direct to the packing house and send them direct to the yards, are you going to appoint a board to see that this is done—is that what you have in mind?—A. We have in mind that there should be a live stock marketing board standing between the producer and the people who distribute the products. This is the major industry of agriculture, it is most important, and we feel it demands an independent board with the authority of the Dominion Government to follow stock through from the farm to the final market, and see that the spread between the price paid to the farmer and the price received in the final markets is in keeping.

Q. Is this board to do the marketing?—A. This board would supervise the marketing, would supervise practices.



Q. Is it to do any marketing of either live stock, or live stock products?  
—A. We have suggested that if it is in the wisdom of the board that independent units be established, one in each province, that they have the power to do that.

Q. That is, processing plants?—A. To take the low grade live stock off the market; to stabilize prices for the benefit of the producer and the consumer.

Q. The board is not to undertake the task of selling bacon in Britain?—A. Absolutely not.

Q. That is to be left to the trade?—A. That is for the trade.

Q. And is the board to undertake the task of buying cattle and hogs from the farmer?—A. Absolutely not.

Q. The board is to undertake the task of picking up classes of stock that the packers don't want?—A. The function of the board would be to segregate entirely inferior grades of live stock from regular trade channels, disposing of the product for animal and poultry feed; and that they have the power to do that.

Q. And in order to dispose of these classes they pick up, they are to ship them into the provincial packing plants?—A. Yes, and if the board feel that the spread between the price received for bacon hogs—for select bacon hogs—and the price in the final market is not in keeping, that this board will have the power to establish independent units for the processing of select bacon, which would establish confidence in the minds of the farmer for the whole country. That would take only 2,000 hogs weekly per plant; according to the packers we could increase our exports to Great Britain by two million hogs, so that the packing industry could still increase their business by a million and a half for export.

Q. That is, the packing plants you are going to establish in each of the provinces are going to do two things: one is to buy a sufficient number of bacon hogs to steady prices; the other is to take these poor classes off the market and make fertilizer, or anything like that, out of them?—A. That is correct.

Q. That is to be done at the public expense?—A. Not at the public expense; at a profit on capital invested.

*By Mr. Boulanger:*

Q. Who would supply the capital?—A. That is for the government to decide.

Mr. FACTOR: It being a small matter, you will just leave it to the government.

*By Mr. Sommerville:*

Q. Your thought there apparently is that these plants being built for a definite purpose will require a minimum amount of overhead in operation?—A. That is right.

Q. And being constructed for the purpose of producing bacon for the English market will produce it at a minimum of cost?—A. That is right.

Q. And will not have to meet by way of overhead some of the charges that may be involved in the larger plants now existing?—A. That is the thought.

Q. Yes, it is an economical unit for the producing of bacon for the English market under the quota?—A. Yes.

Q. And whether the money is to be provided by the government, or from private sources, is a question to be worked out?—A. And the management of the plants under government control.

*By Mr. Young:*

Q. And it is your idea that these plants, established and operated by the marketing board, should be located in each of the nine provinces?—A. In the five producing provinces.

Q. Just elaborate that, if you will; you think it will give the farmers a better price, and enable them to sell bacon to better advantage, than they will obtain from the plants of the packers which are privately owned?—A. It has been stated by the packers in evidence that there is not a feeling of confidence at the present time between the farmers of Canada and the trade.

Mr. FACTOR: Mr. MacLean made that statement.

The WITNESS: That confidence would be established under this system in the minds of the farmers.

*By Mr. Young:*

Q. You think then that if we had half a dozen, or five, publicly owned packing plants in this country, and the farmers were still getting deplorable prices for their products, that they would be satisfied at least that there was nobody making a rake-off out of it, and they would be content to take what they got?—A. They would be better satisfied than under the present system.

Q. That has not been my experience?—A. Yes, I feel they would be satisfied.

Q. You spoke yesterday about the basic fixing of prices on a cost-plus basis; that is to say you were going to have I suppose this marketing board dictate the price that the farmer could get for his hogs on a cost-plus basis; why not put the packer on a cost-plus basis also—the yard was to get its services rewarded on a cost-plus basis; the packing plant was to get rewarded for its services on a cost-plus basis; and then the product was to be sold on the British market, or whatever market we have, at the market price. Now let us suppose you fix the price of the bacon hog at 6 cents a pound at cost-plus to the farmer; and add your cost-plus to the railways, the yards, the packers and all the other chief handlers; and then you find that the British market will not pay sufficient for that hog to give you this price—what are you going to do then.

*By Mr. Sommerville:*

Q. You are not going to pass it all on to the farmer, are you?—A. There is no question about that, it will not be passed on to the farmer.

*By Mr. Young:*

Q. Who is going to absorb the loss?—A. The principle I stated was that the principle of marketing live stock in Canada should be that the farmer should get a living, a small profit at least.

Q. That is not what I am asking you, what I am asking you is this: when you have put all of your cost-pluses together, and bring the cost of your bacon to say a shilling a pound in Britain and the British market won't pay it; what are you going to do with your bacon.

Mr. SOMMERVILLE: Mr. Young, has the witness anywhere in evidence said that he is paying cost-plus to the railways, or cost-plus to anything?

Mr. YOUNG: He said that yesterday.

Mr. SOMMERVILLE: Was it not your question that contained the statement rather than his answer?

Mr. YOUNG: If I put words in his mouth I am not the only one.

Mr. SOMMERVILLE: I do not think that is correct Mr. Young; the statement of the witness was that the principle was wrong that the farmer should take what is left and that therefore it ought to be changed; because he suggests a cost-plus basis for the farmer that does not involve that the railway shall be



cost-plus, that the packer shall be cost-plus, and that everybody shall be cost-plus added to that. His statement simply was that the farmer, in order to encourage production of basic commodities, ought to be placed in a position where he does not produce at a loss, and that system worked by which everybody else got a cost-plus except the farmer.

Mr. FACTOR: What a splendid witness you would make, Mr. Sommerville.

Mr. SOMMERVILLE: I want to be fair to the witness, and I think you want to be fair too, Mr. Young; but you do not want theories about something that is not contemplated, or not covered by his brief at all.

Mr. ILSLEY: He contemplates fixing prices to the producers, and the next question is what are you going to do.

Mr. KENNEDY (*Peace River*): And then the recommendation is perfectly plain; fix the market price on the best grades of live stock so as to give the farmer a minimum wage.

The CHAIRMAN: The witness is giving us his opinion. I would suggest to Mr. Young that he let the witness offer his opinion; and let us get on. I appeal to Mr. Young to accept the witnesses evidence for what it is worth, and then we will discuss it later.

*By Mr. Young:*

Q. I might ask the witness if Mr. Sommerville stated the case correctly; is it your idea then that the farmer get cost-plus and then, if there is a shortage, the other interests involved absorb the shortage?—A. My statement was I was comparing the present system which the packers said was that they sold the product at the last dollar they could sell it for: that they have what they consider a reasonable profit and all the charges down to the bottom and gave the farmer what was left. My statement was that that was not the correct system, that the correct system was to start with the producer, and if it can be worked out, I say that the committee should have power to fix a minimum price. It is not necessary that they do establish a minimum price.

*By the Chairman:*

Q. You mean the proposed board?—A. Yes, the proposed board; I say compare one system against the other.

*By Mr. Sommerville:*

Q. At the present time there is no controlling factor in the present system?—A. None whatever.

Q. And therefore the loss is passed on to the farmer?—A. Absolutely.

Q. Your thought was that if there is some controlling factor that that loss might not be passed on to the farmer?—A. That is my thought.

*By Mr. Factor:*

Q. Who would sustain that loss?—A. When all your investigations are complete, you will have a true picture of the net return to the farmer during 1933 for his production, and you will have the net return of every firm or of every unit between the farmer and the final market before the committee, and you will know whether the producer under the system in existence in 1933—whether it was the fair system for the producer of live stock in Canada.

*By Mr. Sommerville:*

Q. May I ask you this, Mr. Kennedy: If the results of this system show the packers to have made millions last year and the farmers to have lost, you



say then there should have been another adjustment?—A. I say this, that the marketing board co-operating with all the units of the industry would raise the market price, without the necessity of establishing a minimum price.

*By Mr. Young:*

Q. In western Canada at the moment we have this picture thousands of farmers are raising live stock and losing money on them, going broke on it. We have also the largest packing establishment in the country going broke at the same time, and the only people engaged in the live stock industry as far as I have been able to discover in the west are the stockyard people, who are making a profit?—A. My answer to that is that you will have all the figures when the investigation is completed, and then you can determine by the facts that are before you.

Mr. SOMMERVILLE: We will have the auditor's statement of the various packers, Mr. Young.

*By Mr. Factor:*

Q. Suppose Mr. Young's contention is correct, what would the remedy be, if the stockyards were the only people making money in the western provinces?—A. If the stockyards companies are making more than a reasonable profit, the board would soon see that they did not make more than a reasonable profit. At the present time the Dominion government are controlling the earnings of the stockyards companies and they are not controlling the earnings of the packing industry.

Q. They are not controlling the earnings; they are merely fixing—A. They are not controlling the spread.

*By Mr. Young:*

Q. Your idea, summed up in a sentence, is this, that this marketing board would be a sort of umpire; they will not market stock unless they build these packing plants you spoke of; they will simply see that fair practices are carried on through the industry?—A. That is my thought.

Q. But they are not going to market any stock, either live or dead?—A. Unless these units are established.

Q. Yes, unless these units are established.

*By Mr. Ilsley:*

Q. One question, and I think it is a practical one; you have thought this proposal through, this proposal of setting up a board which will guarantee a fair return to the producer. You have given some thought to that, I presume?—A. I have given it some thought.

Q. Yes, that is in your recommendations?—A. Yes.

Q. With regard to the exportable surplus, where the export market would not return a price sufficient to pay the middleman and the producer that guaranteed price, is there any alternative to a government contribution to the producer or to the government interests? Is there any alternative to that? Do you understand, do you follow me?—A. Yes.

Q. I have not put it very well, perhaps, but Mr. Young led you right up to that point and said what would you do if you are guaranteeing the producer 6 cents, because that is his cost of production plus a fair profit, and guaranteeing the middlemen and transportation agencies something which is fair for what they do—they would have to have that; but then you find that when you get a foreign market which does not pay all that, where is the money coming from? You must have given some thought to that?—A. Well, my statistics show that 97 to 98 per cent of the cattle marketed in Canada in 1932 and 1933

were consumed in the domestic market. My recommendation to-day was—I have not got statistics to show the exact percentage of the inferior animals, canners, cutters, et cetera, but for the sake of argument say it was 10 per cent, and that 10 per cent was removed off the bottom of the market and taken out of the regular channels you would have a better quality of meat to offer to the consuming public, and you would have created a shortage between production and demand of practically four or five or six per cent.

Q. So that you would have no exportable surplus?—A. We would have no exportable surplus.

Q. And you could fix the price to the consumer in Canada, the board could?—A. Yes.

Q. A sufficient price to pay everybody?—A. That is what should be done.

Q. That would not apply in the case of hogs where you have a big exportable surplus?—A. No.

The CHAIRMAN: Only 10 per cent.

Mr. ILSLEY: That is a lot of hogs.

*By Mr. Young:*

Q. But Mr. Kennedy proposes to increase that by 2,000,000 hogs?—A. Well, the quota provides for an increase.

*By Mr. Ilsley:*

Q. I think you have made that pretty clear with respect to the domestic market, but without an exportable surplus, what would you do? Would you not have to have something like the Patterson scheme, where there is a fund, get it from some source?—A. That would have to be worked out by this committee.

*By Mr. Sommerville:*

Q. By the board?—A. By the board, which would be appointed by the Dominion government. I might say, gentlemen, as far as the consumers are concerned in case nothing is done, these recommendations may appear drastic. They are not as drastic as 1933 conditions for the Canadian farmers, and if cattle prices are allowed to go down in the fall of 1934 to the low levels of 1933 whereby the western Canadian farmers only net back  $1\frac{1}{2}$  to 2 cents per pound for their choicest young stock, which is not half the cost of production, the situation would be tragic. Gentlemen, let us take a forward, constructive step and remedy present conditions. Looking at it from the consumers' point of view alone, it is a protective measure, for if the farmers are put out of the production of cattle, many cents per pound would have to be added to present prices paid by the consumers over an extended period before you could get the farmer again producing the best grades of beef ready for the market. Those are my findings.

*By Mr. Kennedy (Peace River):*

Q. Mr. Kennedy, do you feel or do you think there is need for some supervision, in addition to what we now have, over the cattle that are now being exported to Great Britain?—A. That is in the recommendation, Mr. Kennedy.

*By Mr. Sommerville:*

Q. You suggest that that board have authority to regulate or arrange for the continuity of export shipments?—A. Yes.

Q. That is your second recommendation?—A. Yes.

*By Mr. Kennedy (Peace River):*

Q. Is that because you think the quality of all the cattle going forward is not suitable for the British market?—A. I am confident there has been cattle that has been exported that was not suitable for the British market.

Q. With regard to the bacon exports—I don't know whether you will want to answer this question or not; you can answer it or say that you don't want to, just as you choose—do you know or do you think that the bacon going forward is nearly all the best quality of bacon that can be sent forward to the British market?—A. Well, government statistics show that in the year 1933 there was only a little over one-half million select hogs, according to government grade, in Canada. Testimony from the packers has shown that the domestic trade takes quite a large percentage of those select hogs. Testimony already given was—I am not posted on these statistics—that the exports of bacon last year were 600,000 hogs. Now, gentlemen, you can decide. I don't know what has been going forward to the old country.

The CHAIRMAN: As a matter of fact, Mr. Kennedy, we can get the precise information on that, if you wish.

Mr. KENNEDY (*Peace River*): I would like that.

The CHAIRMAN: I will ask that a note be taken of that. Would you do that, Mr. Parry, and we will get the precise information on that. I don't know that Mr. Kennedy here could give any more direct answer than he has.

Mr. FACTOR: We are also getting the financial structure of the stockyards, are we not?

Mr. SOMMERVILLE: Yes, and the exchange men too.

The CHAIRMAN: Are you through with Mr. Kennedy?

*By Mr. Sommerville:*

Q. You were going to file with the committee a report showing the decline in the shipments, as well as the stockyards in Canada for the last ten years?—A. Yes, these are printed statements, public statements, for the past ten years, for the seven prominent stockyards in Canada, which will show the total receipts for the information of the committee.

Q. Showing the total receipts of all classes of cattle and live stock?—A. Marketed in Canada.

Q. On those various markets during the last ten years?—A. Yes.  
(Statements of live stock receipts filed, marked Exhibit No. 95.)

Mr. FACTOR: You have given us a large fund of information; I hope I will be able to digest it.

The WITNESS: Thank you. Any service we can render to help out the industry, we are always ready to do our best.

The witness was discharged.

GORDON OSWIN, called and sworn.

*By Mr. Sommerville:*

Q. Mr. Oswin, you are a salesman at Toronto, are you not?—A. Yes.

Q. And you are employed by whom?—A. The United Farmers live stock department.

Q. As a salesman in what class of live stock?—A. Hogs.

Q. And you have been dealing exclusively in hogs for how long?—A. For the last eleven years.



Q. You are a specialist?—A. Mr. Chairman, just before you go any further, after hearing the discussion on it the first thing this morning, and you have heard so much evidence on hogs, probably you could make the questions just as short as possible and we can get on with the next witness. There has been a lot of discussion; there is no doubt about that.

Q. All right, we will ask you a few very direct questions, Mr. Oswin. On the Toronto market, I understand that about 30 per cent of the hogs slaughtered in Toronto go through the stockyards, approximately?—A. That is right.

Q. And about 70 per cent go direct to the plant?—A. That is correct.

Q. What is the effect on the stockyard of direct shipments to the packing plant?—A. Well, it helps to keep the market down.

Q. And do you sell your hogs on the Toronto market on a fixed differential?—A. Yes, I do.

Q. Who fixes the differential?—A. The packer fixes the differential on cuts and the government on the selects.

Q. What are the differentials on the cuts?—A. The differentials—the basic price is bacon hogs. The differential on butchers is a dollar a hog, and on a heavy hog a dollar and a half and on the light hog a dollar per head.

Q. And on sows?—A. \$2.50 and \$3.

*By Mr. Young:*

Q. There is just one of these differentials fixed by the government, is that right?—A. Just the select hogs.

*By Mr. Sommerville:*

Q. That is, the premium is fixed by the government?—A. By the government.

Q. That must be paid, that dollar a head, on all selects?—A. Yes.

Q. And all other differentials are fixed by the packer?—A. Absolutely.

*By Mr. Young:*

Q. What is the meaning of "fixed by the packer"?—A. They set the price.

MR. YOUNG: I thought we had evidence here that there was some association in which representatives met—

MR. SOMMERVILLE: No, that is not so.

THE WITNESS: The swine committee fixes the premium of one dollar a hog; that is for the select hog.

*By Mr. Boulanger:*

Q. That is a dollar above the market price?—A. A dollar above the bacon hog price.

*By Mr. Sommerville:*

Q. How do you learn of your differentials?—A. How do we learn of our differentials?

Q. Yes, on the cuts?—A. The packer notifies any time when he feels that the cut should be larger.

*By Mr. Young:*

Q. The differential changes from time to time?—A. It has changed since it was first started.

Q. It does not change from day to day?—A. No, not the differential.

*By Mr. Sommerville:*

Q. The differential changes; how long ago since any change took place in the differential?—A. Maybe two or three years ago.

Q. Since there has been any change in the differential?—A. Yes.

Q. And when you get notice of the change of differential, whom do you get it from?—A. From the packer buyer.

Q. From the packer buyer?—A. Yes.

Q. From both of them?—A. Yes.

Q. And at the same time?—A. Mostly—the same day or a day after.

Q. So you say this differential is fixed by the packer?—A. Yes.

Q. Do you agree that sale by the fixed differential is the best method of selling hogs?—A. No, I don't think so. The method of selling hogs in Toronto is different from what it is in Montreal. We sell our hogs in Toronto chiefly on the weight-off-car basis, and f.o.b. feeders and truck hogs. In Montreal they are selling chiefly fed and watered.

Q. How do you think hogs ought to be sold?—A. On the fed and watered basis, with no fixed differential.

Q. On grades?—A. On grades.

Q. And each grade sold?—A. Each grade kept separate.

Q. And sold on its merits?—A. Yes.

*By Mr. Factor:*

Q. By auction, you mean?—A. Well, that has to be worked out. We have never worked under the auction system in Toronto.

*By Mr. Sommerville:*

Q. That is to say, you can grade your hogs out and sell them by separate grades just as you sell them now, without auction?—A. Absolutely.

Q. Or another method might be, after the grades are separated out, to sell those grades by auction?—A. If the auction was in effect, yes.

Q. But your thought is that following your present system, you would sell your grades as grades?—A. Yes.

Q. The heavies as heavies and the lights as lights?—A. As grades; and I think it would have a tendency to give the producer more money for his hogs.

Q. Why would it give the producer more money for his hogs?—A. Because you could get outside orders for the different grades in carload lots.

Q. Do they use those various hogs in domestic trade, on these outside orders?—A. Yes, I have had orders from outside plants.

Q. From whom?—A. Outside plants. There are two plants in Kitchener, two in Hamilton and one in Stratford. We could get orders for these out-grades in carload lots.

*By Mr. Factor:*

Q. When was this differential first brought into force?—A. When hog grading started.

Q. How long ago is that?—A. That is about thirteen years ago.

Mr. SOMMERVILLE: In 1921.

*By Mr. Factor:*

Q. It has been fixed by the packer ever since?—A. Yes. We have been working on a fixed differential ever since hog grading started.

*By Mr. Sommerville:*

Q. Up to that time, hogs were sold on a flat basis, were they not?—A. Yes.

Q. The buyer and the seller went in together and looked over a lot of hogs?—A. And bought them, all lights and heavies there.

Q. They bought them according to?—A. On quality.

Q. On quality?—A. Yes.

Q. And they bought them on their own inspection?—A. Yes.

Q. And as between the two of them, they settled on what they regarded as the price for them?—A. Yes, that is correct.

*By Mr. Boulanger:*

Q. That is the practice in force in Montreal yet?—A. Yes, that is the practice in force in Montreal. They sell their hogs on the fed and watered basis.

*By Mr. Sommerville:*

Q. Except that the selects must get a dollar more than what the bacon gets in Montreal. Do you have any wholesale butchers on your market?—A. We had had such few wholesale butchers on the market that is really not worth while mentioning.

Q. Lately?—A. Well, at any time.

Q. What became of the wholesale butchers that you did have?—A. Well, they suddenly disappeared.

Q. Where did they get their supply?—A. From the processor.

Q. From the packer?—A. Yes, from the packer.

Q. Why does the packer sell to the wholesaler?—A. There is only one reason I can see myself, to take them off the market, see that we don't have too many of them.

*By Mr. Factor:*

Q. Could he sell cheaper to the wholesaler?—A. They must sell cheaper to keep them from buying hogs to kill themselves.

*By Mr. Sommerville:*

Q. That keeps that competition off the market?—A. Yes.

*By Mr. Ilsley:*

Q. I thought there was another reason—from Mr. Kennedy's brief—and that was where you have this differential system, with lights sold as lights, that butchers do not want to bid on them?—A. With no set differential, a small butcher could go on the yard and bid for your under-grades; but that is not the system we are working under. We are working under the fixed differential system, and have been for thirteen years.

Q. That is one reason why he is not there?—A. Yes.

*By Mr. Sommerville:*

Q. What increased direct shipments to the plants in the last few years?—A. Well, I would say trucks and the set differential.

Q. The set differential?—A. Yes.



Q. Have the packers encouraged the truckers to bring direct shipments to their plants?—A. Well, they keep in touch with all the truckers, and advise them as to what the markets are.

Q. Have they established receiving stations for them at which to deliver their stuff?—A. Yes, they have receiving stations. There is one at the Don. There is one at Swifts' plant. There is one at Gunns' plant. There is one at the Canada Packing Company plant. There is one at Ingersoll and there is one at Brantford.

Q. Take the one at the Don in Toronto; where is it located?—A. It is in the east end of Toronto.

Q. Is that in the old Davies plant?—A. Yes.

Q. And the truckers from the east bring in their supplies of live stock there?—A. Not necessarily truckers from the east, but it is chiefly truckers from the east that come in there.

Q. And when they come to that plant, they deliver their live stock to that receiving station?—A. Yes.

Q. At that receiving station who is there to buy them?—A. There is one man employed by the packing company. He buys the stock. He weighs the stock; and if it is hogs, he grades the hogs. There is no government grader at those plants, outside of Harris's. There is one at Harris's.

Q. Then he issues the tickets for these purchases which he makes?—A. He makes out a slip with the weight of the live stock that he is buying and hands it to the trucker.

Q. And the trucker cashes that at the bank?—A. And the trucker in turn can go and cash that at the bank, and pay the farmer in cash, or have a separate bill made out for him, if he wants to.

Q. The trucker may have a separate bill?—A. When the truck is delivering live stock, the party that is buying it does not know whether it belongs to him or an individual farmer.

Q. And the payment is made to the trucker?—A. Yes.

Q. Unless he directs otherwise?—A. Unless he directs otherwise.

*By the Chairman:*

Q. Are these truckers bonded as are the commission men?—A. No. There was a law passed here, I think it was about a year and a half ago, in regards to a bill of lading. The bill of lading was directing the live stock as to where it should go, but it was never carried out. I think that that tendency did take quite a bit of our live stock off the market.

*By Mr. Sommerville:*

Q. Have you had instances where farmers inquired from you as to what price was obtained for the hogs, when you found they did not go to your market at all?—A. Yes, oftentimes they have been there, probably outside of the gate.

Q. And you found they had been sold to the packer and have gone to the plant?—A. They have been sold to the packer and not come to the market at all.

Q. Do you know the extent of the receipts at the receiving station at the Don?—A. I would say it is somewhere around 1,000 cars a year.

Q. Around 1,000 cars a year at this one receiving station?—A. Yes.

Q. And do they clear every day?

*By Mr. Young:*

Q. How long do they stay there?—A. They are cleared at noon and night. There is a shunt comes up every day at noon, and there is another one comes up in the evening.

Q. And clears them right out?—A. Clears them right out. They go from the Don to west Toronto, and the shunt costs \$6 a car.

*By Mr. Sommerville:*

Q. And that is paid by the packer?—A. Yes. And the buyer is paid by them.

*By Mr. Young:*

Q. How many truck loads would there be in a car?—A. They could put 80 hogs in a car, which would be from two to four trucks.

Q. Well, say three trucks?—A. Yes, three trucks.

Q. How much would it cost to take three truck loads of hogs across Toronto?—A. It is about six to seven miles from the Don across Toronto. The way I would answer that is that any trucker going into this plant charges the Toronto rate, whatever the rate may be. I don't know what he charges to go across Toronto.

*By Mr. Sommerville:*

Q. He gets the same rate to the plant as to the receiving station?—A. The way I find the trucker at the present time, competition is so strong that they work on a flat rate, and in order to keep their truck up and to cut the other man off, he brings his stock in to the plant. That is on account of the strong competition in trucking.

Q. Let me get that clear. Will you just amplify that; he works on a flat rate?—A. A flat rate.

Q. That is, he agrees to market the farmer's cattle for so much?—A. Yes, for so much. For instance, a man coming in to the stockyards may be charging 35 cents flat.

*By Mr. Factor:*

Q. 35 cents a head?—A. No, 35 cents a hundred, flat rate. Out of that he pays all the charges, that is commission, yardage and 5 cents insurance. That is fire insurance.

*By Mr. Young:*

Q. Do you mean to say he does not charge any more for hauling that all the way through Toronto than he does for hauling to this assembling point at the Don?—A. I would not say that he does, no. I don't think so.

Q. You would not say that he does not?—A. I don't think he does, that is in Toronto, at the east end of the city, about 6 miles away.

Q. There is a difference of 6 miles in the haul through the city, and I want to know if the truckers will do that 6-mile haul for the same money?—A. Here is the way I have answered that; I am trying to answer it now. Truck competition is so strong at the present time that there is no set rate, but they are working on a flat rate. Probably the man who is coming in to the Don is working at a 20 cent rate, for his own benefit. The farmer does not realize any more if he comes in to the Don at a 20 cent rate and his opponent goes to the stockyards at a 30 cent rate. The farmer just gets the same price.

Q. You say "probably," but you don't know that; there must be a difference in the cost of hauling hogs from the east of Toronto to the Don and hauling them all the way through the city?—A. No, I don't think there is.

*By Mr. Sommerville:*

Q. That is your judgment on that?—A. Yes, that is my judgment. I don't think there is.

Q. And you have a lot of these truckers in daily with you?—A. I have talked to them.

*By Mr. Factor:*

Q. Are these truckers individuals, or are there any companies operating?—  
A. There are transport companies operating. There is the Maguire Transport at Stayner. I don't know how many trucks they have.

*By Mr. Sommerville:*

Q. Are they not mostly individuals?—A. Chiefly.

Q. Chiefly individuals?—A. Yes.

Q. Do you know of packers that pay any bonuses to truckers to bring stock in there?—A. I don't know of any Toronto packer paying a bonus, but I do know of one outside plant paying a bonus.

Q. What do they pay?—A. They pay 10 cents a hundred on live stock, on hogs, at the end of each month.

Q. What is that for?—A. Well, after consulting the buyer of that plant and asking him why he paid that 10 cents a hundred he answered me by this, he said, "We pay our trucker 10 cents bonus at the end of each month to look after our interests." I says, "In what way?" He says, "Well, when our trucker goes to the farmer's yard, he sees that the hogs are not overfed and not bruised loading them into the truck." That is his answer to me. That accounts for the 10 cents a hundred bonus.

Q. He gets that additional 10 cents a hundred; that does not go to the farmer?—A. No, that goes to the trucker. He gets that at the end of each month.

*By Mr. Young:*

Q. Is there a stockyard at the point where this packing plant is located?—  
A. No, it is outside. It is at Hamilton.

Q. He can't be paying out that 10 cents a hundred for stock in order to have them bring it to the plant; it must be for some service?—A. I gave you his answer to me. I consulted him on it, and not only that, I consulted two or three of his truckers going in there to really find out if they were paying 10 cents a hundred bonus.

*By Mr. Sommerville:*

Q. By reason of the operation of this flat system, of marketing by a trucker, he saves the marketing fee?—A. Yes.

Q. That would otherwise be paid if he brought them to the market?—A. And he knows his rate of trucking.

Q. And the result is he gets the benefit of that saving?—A. Yes, he gets the benefit.

*By Mr. Factor:*

Q. Who gets the benefit?—A. The trucker.

*By Mr. Sommerville:*

Q. The trucker gets the benefit of it; the farmer would expect him to pay the market fees if he comes to the market?—A. Well, there is often times when the trucker will leave the farmer's yard and he looks for his stuff to go on the market, and the trucker will take him the cash back to pay it to him, and he does not know where it goes to.

*By Mr. Factor:*

Q. Does the farmer make any arrangement with the trucker as to where that cattle goes?—A. He may tell him to go to the stockyard. We have had, at times, letters coming in to our office inquiring about live stock that a certain



trucker brought in for us to sell, and they never arrived to our company at all. In fact, they didn't arrive on the stockyard.

*By Mr. Sommerville:*

Q. Went to the plant?—A. Yes.

*By Mr. Young:*

Q. Are there any truckers going direct and going to the yards?—A. Going direct and going to the yards, yes, we have a big truck business.

Q. Some of the truckers go to the yards as a matter of practice and some go to the plants as a matter of practice?—A. Yes.

Q. Depending on the fancy of the truckers?—A. We have on Monday, Tuesday, and Wednesday, I would say, maybe 1,800 cattle off trucks.

*By the Chairman:*

Q. In the yard?—A. In the yard.

*By Mr. Sommerville:*

Q. And frequently that is because the farmer has directed them to go to the stockyards?—A. Go to the yards; and oftentimes they come with them and other times they do not.

Q. Now, when these truckers take this stock to the plants, whether it be to receiving plants or to packing plants, the grading you say is not done by the man who buys them?—A. We are under government grading at the stockyards, and government weighing; our weighmaster is under government control.

Q. That does not exist in all these plants?—A. No.

Q. It does not exist at these receiving stations?—A. The plant employees do all their own weighing and grading, but, as I said before, Canada Packers have a grader there grading hogs.

*By Mr. Young:*

Q. Is there any complaint about the grading at the plant?—A. There are times when you have complaints on both sides.

Q. You don't have complaints on the government graders?—A. Yes; not a couple of weeks ago I had a load of hogs come into me. The man came in with fifteen hogs, put them over the scale and had them graded. The farmer was with him and they were both dissatisfied. The farmer came to me and said, "Gordon, I am to take these hogs out." I said, "What is the trouble"; and I asked him to bring them in. It appears they were dissatisfied with their grades. I said, "I have an outside order for them on which I can give you"—the market price was  $9\frac{1}{4}$ —"I can give you \$9.40 for the hogs, with your butchers at 50 cents apiece off." He said he had better take them out because he was dissatisfied with the grade. So the farmer goes back and takes them to the plant and they give him \$9.25, with the butchers \$1 a hog off.

Q. That is, the plant gave him under the fixed differential a dollar off, and gave him \$9.25 instead of \$9.40, which you were willing to give him?—A. Yes, \$9.40, less 50 cents off for butchers.

*By Mr. Factor:*

Q. Do you hear any complaints about weighing at the plants?—A. No, I have heard complaints, but I could not really say that there is anything the matter; in fact, there has been live stock come back from the plants and it has weighed more in the market. They read their beams at the plants and we have the automatics which print a ticket. They just read their beam, and it is quite possible that the man reading it might make a mistake.

*By Mr. Young:*

Q. You mean, that when the shipper is not satisfied with the weight, he brings the stock over to the yard and gets a better weight?—A. Yes; I would not say there is anything wrong with it. I was a weighmaster myself at one time, so perhaps I have a better idea of just what chance there is for error; plenty of mistakes are made.

Q. Does it ever happen the other way, that they take their load to the plant and get a better weight?—A. I have never heard of it.

*By Mr. Sommerville:*

Q. How do you get your prices for hogs, Mr. Oswin?—A. We get prices from the packer-buyer from day to day.

Q. From the packer-buyer—now, let me take last week, last Thursday; what was the price given by the packer-buyer?—A. The price given to me last Thursday for Saturday's load, \$7 f.o.b.

Q. And that was given to you by the different packers?—A. Yes.

Q. That was the price given to you by both buyers?—A. Practically the same thing.

Q. And are they practically the same all the time, or do they vary?—A. Generally always the same.

Q. That is, they bid you 7 cents for a hog loading on Saturday?—A. Loaded Saturday, to arrive on the market on Sunday.

Q. They are available for market on Monday?—A. Yes.

Q. Then you notify your drovers in the country?—A. We notify our shippers and drovers in the country what the guaranteed price is.

Q. And seven cents is the guaranteed price?—A. Yes.

Q. And then they load their hogs?—A. They ship their hogs to the market, and when they arrive, we try to get the best we can for them.

Q. But when they get on the market you have guaranteed seven cents?—A. Yes.

Q. And you endeavour to improve that?—A. Yes, I try. There was a little discussion yesterday in regard to cables from the Old Country. I might say I have known occasions for the Old Country bacon price to drop no more than once a week. The packer as a rule gets his at the yard Friday, and the government office in the Live Stock Exchange get their cable the same day, and by them getting it, we are able to get in touch with the government officials, and find out whether the market is strong or weak; and in doing that, it enables us to base our ideas on whether the market is going to be strong or weak.

*By Mr. Young:*

Q. The British price varies once a week; your price varies, how often?—A. Our prices may vary three times a week, it all depends on how far down the export market goes.

*By Mr. Sommerville:*

Q. When these particulars are received, they have an effect on the market?—A. Yes. It depends on whether the other markets are strong or weak. I base my judgment as to what I should ask on conditions; of course I do not always get what I ask.

Q. It would be an ideal market, if you could?—A. I was getting 25 cents a hundred over on Monday before I came down.

Q. Before you came down on Monday what did you sell at?—A. From \$7.15 to \$7.25; that is, on an f.o.b. basis. I might state here that the difference between f.o.b. and truck hogs is 35 cents a hundred; and the difference between f.o.b. and weighed-off-car hogs is 75 cents a hundred.

Q. Which is the higher?—A. F.o.b. is lowest; f.o.b. is \$7.15, \$7.45 or \$7.50.

Q. Hogs f.o.b. are usually a little inferior to hogs arriving by truck?—

A. On f.o.b. hogs the packer pays country weights and freight. Weighed-off-car hogs are hogs arriving during the night which are weighed off the cars on arrival.

*By Mr. Factor:*

Q. Are they weighed at the farm?—A. No, they are weighed at the station.

*By Mr. Young:*

Q. And the packer will accept these weights?—A. Absolutely, yes.

Q. Who is at the stations to do the weighing?—A. Sometimes the drover himself; at other stations they have an official weighmaster.

Q. And the packer will accept the drover's figures; not put them over his own scale?—A. Yes, he will most likely weigh them at the railway station.

Q. And the railway scale means weighing the car and after that subtracting?—A. No, they have an unloading chute where they unload their stock and then drive it on to the scale.

*By Mr. Sommerville:*

Q. You say you get \$7.15, so you don't have to take the guaranteed price; you don't have to take what is offered?—A. No.

Q. And in that way you raise the price?—A. I think it raises the price; I ask from \$7.15 to \$7.25.

Q. And in this way it really improves the bid that you receive on all hogs?—A. On all hogs that are on the market; and that would also include the price on truck hogs for that day.

Q. So that all your hogs would be improved by those prices?—A. Yes.

Q. And 15 cents a cwt. would mean?—A. There were 2,000 hogs on the market on Monday.

Q. That would amount to about 30 cents a hog?—A. Yes.

*By Mr. Factor:*

Q. How do you succeed in getting that price 25 cents higher; you have said it was 40 cents below?—A. The quotation at the close on Thursday of the previous week; \$7.40, and our guaranteed price Saturday was 7 cents.

Q. And you got from \$7.15 to \$7.25?—A. From \$7.15 to \$7.25.

*By Mr. Sommerville:*

Q. Where did the demand come from?—A. It came from outside competition, from the small packer.

Q. That is, you worked on outside competition?—A. No, outside competition is worked up by the small buyer; this competition is between the small buyer and the big packer.

Q. You got in touch with your customers at the outside points?—A. Yes.

Q. And then you have this outside competition to use as a lever?—A. I do ship hogs to J. M. Snyder & Sons of Kitchener.

Q. And you use these outside orders to raise the price?—A. Oh, yes, if I can get an outside order at \$7.25 I will go to the packer and say, I can sell so many cars at \$7.25, and ship them in to J. M. Snyder—they will say, well, we want our hogs, ship them in. If they don't want them, they let them go.

Q. What do you say as to the competition on the Toronto market on hogs?—A. We have only two buyers there, the Canada Packers' buyers and Swift's buyer; and one market buyer—that is our competition.



*By Mr. Factor:*

Q. What about the small butcher?—A. There are very few of them going there. I do not think there would be more than two or three times a week that you might get ten or twenty there; nothing to mention.

The CHAIRMAN: Have you any other questions?

*By Mr. Kennedy (Peace River):*

Q. Do you think you could raise the price if you had the wholesale butchers coming in?—A. If we had—up to 1927 before Canada Packers amalgamated there was Gunns, the Canadian Packing Company, the William Davies Company at that time; and we had other buyers on the market. We had a very good market, and we had competition. One of them might be long on hogs while another might be short; you could go out and do business with them.

Q. In your judgment then it was better to have more buyers—A. Absolutely, it was a pleasure doing business then.

*By Mr. Sommerville:*

Q. If you had all the buyers and all the hogs on the market, that would make a better market?—A. Absolutely. It would mean money to the producer, there is no doubt about that; because with these buyers on the market it would be like the old days when the market would jump from 25 cents to 50 cents in a day.

Q. Have you ever learned from the packers why they have their hogs shipped direct, is it cheaper?—A. It might be cheaper at times, and it might be dearer: it varies.

Q. What have they said to you as to direct buying?—A. I have never questioned them.

*By Mr. Young:*

Q. Do you know anything about stockyard charges, commission charges, and things of that sort?

*By Mr. Kennedy (Peace River):*

Q. What is your opinion about the percentage of hogs going through the yards, and the percentage of stock; do you think you can get better prices if you had a larger percentage going through the yard?—A. I think if we had a larger percentage going through the yard, and more buyers—we have to have the buyers—we would get more money for the producers.

*By Mr. Young:*

Q. You mean that unless the large buyer is on the market it does not matter much where you sell them, they are going to have their own price anyway?—A. They are going to have their own price anyway; the cheaper they buy their hogs on the market the cheaper hogs in Ontario are—they base their price on the Toronto market.

*By Mr. Sommerville:*

Q. That is, for all the hogs in Ontario, the base price is that paid on the public market?—A. Yes.

*By Mr. Factor:*

Q. How are you going to get more buyers?—A. The man outside, the small packers in Kitchener and so on; that is the only way by which we could get more competition.

Q. And you are a buyer?—A. I am a commission man—he just gives me the order—I am working as a commission man.

Q. All the outside buyers would be represented by some commission man there?—A. Not necessarily, we do not sell a great many hogs direct to outside points.

*By Mr. Sommerville:*

Q. Because they are buying direct?—A. Yes—plants such as at Kitchener, Hamilton and Stratford; their consignments are practically all direct hogs delivered to their yards.

*By Mr. Young:*

Q. From their own localities, it would not be economical to bring them in to Toronto and ship them out again?—A. Well, of course they could get used to it.

Q. Yes, but it would cost more, would it not?—A. They have not the overhead that the big fellow has.

Q. I mean, to bring all the hogs into Toronto, then have them bought by the Kitchener packer and shipped back to him?—A. It really does not sound feasible.

The CHAIRMAN: Thank you, Mr. Oswin.

The witness was discharged.

Mr. OSWALD FREER, called and sworn.

*By Mr. Sommerville:*

Q. You are a live stock salesman on the Winnipeg market, the St. Boniface Yards?—A. Not entirely a salesman, at the present time; I have been connected with the live stock industry there for sixteen years.

Q. And the firm you are connected with is the United Stockmen Limited?—A. That is correct.

Q. And you are the representative of that Live Stock Commission firm on the St. Boniface Yards?—A. Yes.

Q. And have been connected with that trade for some sixteen years?—A. Yes.

Q. And you are familiar with the live stock conditions on the Winnipeg yards?—A. Yes.

Q. Now, Mr. Freer, will you be good enough to give us the benefit of your observations as to market conditions and what improvement can be made. I understand you prepared a statement but that unfortunately you have no copies of it. Mr. Freer just came in this morning, and it is rather a brief statement, I would suggest that he be permitted to present it?—A. I came down here on rather short notice, but on turning over in my mind just what would be the best information I could give you I came to the conclusion that possibly if I presented to you the same information that I gave to a gathering at Winnipeg called by the Minister of Agriculture, at which all the different interests of the live stock industry were represented, it would be the quickest way to get over to you my thoughts in connection with our present live stock problem.

Q. When did that conference take place?—A. On December 21st, 1933.

Q. And that represented producers and packers?—A. Producers, packers, railways, commission men, stockyard representatives and retailers; every branch of the industry that we could think of.

Q. Well then, if you will be good enough to let us have that statement, Mr. Freer?—A. I might perhaps just preface my remarks by saying that I appreciate in full having the opportunity of coming down here, and endeavour

to contribute something towards the solution of this common problem. And I would further preface my remarks with this, that I would like to point out for you that many years ago, at great expense, marketing stockyard centres were built and railroads transportation systems developed, packing and processing plants built, and economical marketing services and systems developed. Many of these great marketing services were accomplished by the expenditure of tremendous amounts of public and private funds. All this machinery was built up because there was a definite need to provide the producer with a sound, competitive marketing service, one that could be used efficiently and cheaply to place his products, both in the raw and manufactured state, on the markets of the world.

These great services are needed today, as much, if not more than ever before. But the driving force of high pressure, unsound competition—indeed unfair competition—plus the tremendous increase in service demanded during days of high prices, services that are still demanded, has resulted in the physical marketing of live stock costing too much money. This high pressure competition—the unsound and unfair competition referred to—has led to certain shipping and marketing methods which are not getting back to the producer the best in the way of net return.

Leading up to these methods to which I refer, may I outline some of the complex problems that those of us engaged in the business of marketing, transporting and processing of live stock have to contend with. First, let me refer to the change in the west from the old range days to the mixed farming days. You see, in many sections it has been most regrettable that these old range days have been done away with because it has been replaced by the type of farmer who finds it impossible to grow wheat, and who now finds it impossible to raise cattle. I mention the latter particularly, because it has a very direct bearing on present stockyard market costs and charges.

Briefly, those of you who know anything about the physical handling and marketing of live stock will appreciate the added costs that are incurred to the commission firms, to the stockyard management, in the handling of shipments containing one owner as compared with the carload shipment that contained from 12 to 25 owners. This change alone in shipping costs more money to handle because it takes more salesmen, more yard help, more yard and scale equipment, more office help, more stationery, more postage, and generally slows up the speed at which we were able at one time to do the work.

Higher freight rates than we had a few years ago also enter into the picture of increased marketing costs. Our governments have certain clearly defined responsibilities by providing highways and keeping them open during the winter, thus making it possible for trucks to offer unfair competition to the railway.

I would like to elaborate at that point just a little. The competition between the shipping agent or drover who uses the truck service, and the shipping agent or drover who uses the railway service, is so keen that in order to show a lower handling cost per hundredweight to his clients, the truck shipper delivers his stock direct to abattoirs in order to avoid stockyard and sales or market-service charges.

*By Mr. Young:*

Q. You mean by that that he is cutting his rates, and that he has to do this to make ends meet?—A. No, I mean that he keeps his rate low in order to get the business.

Q. And then in order to recoup himself he has to evade the stockyard charges?—A. Yes, that is it.

Q. In reality then the farmer is getting a lower freight rate?—A. No, it does not apply to the farmer at all; it is not passed on to him.



Q. You say he is cutting his rate—he must give the benefit of that to the farmer?—A. Yes, in that case it would be passed on to the farmer.

This practice has a much more far-reaching effect to the producer than appears on the surface. In the first place it removes from the central market a volume of business that the market sorely needs to keep overhead and handling costs low, further the supplying direct to the processing plants of this volume of business makes them less active buyers on the central markets, and thus part of the volume that makes up legitimate competition is eliminated.

I would also like you to bear in mind this fact, that in many cases the producer who ships by truck knows nothing of the fact that when it goes to the packing plants it is sold without feed and water, a concession that was got for the producer years ago only after a hard fight. Hogs trucked in from a radius of 100 miles would show a full gain of 10 pounds per hog, on today's market this fill represents enough in increased value to the producer to pay marketing and stockyard service charges twice over.

*By the Chairman:*

Q. That is, if it is fed and watered?—A. Yes. In other words, truck shippers to plants only keep the producer informed on reduced marketing cost per hundredweight on shipments to plants; the information in regard to lack of competition in selling and loss in weight and possible loss of price is covered up.

Then there is another angle even more pernicious than the one I have just drawn your attention to, and it is this: what truck driver is qualified to say that the producer is getting a proper price for stock delivered at the abattoirs.

*By Mr. Sommerville:*

Q. Do you mean by that, whether he is competent to know the grade that he is delivering?—A. Yes, in other words a mechanical man is hardly a judge of live stock values.

Q. That is, the price is dependent upon the grade?—A. Yes.

Q. And there are a great number of grades in live stock and cattle?—A. Yes.

Q. And a small variation in grade would make a substantial difference in price?—A. A very large difference.

*By Mr. Factor:*

Q. You mean that an expert buyer at the packing plant could put it over him?—A. Well, the opportunity is there, yes.

I would like to quote you three glaring examples of direct to-plant shipments. I can give you the names and dates of these, and more of them if wanted, but three should suffice to illustrate my point. These may be labelled extreme cases, but they are at least authentic. A truck driver took a load of hogs and one heifer to a certain packing plant in Winnipeg. The hogs were disposed of in the usual way by being graded at the plant, and the price paid was the price established by the central market on that day.

*By Mr. Young:*

Q. On the established basis?—A. Yes.

*By Mr. Sommerville:*

Q. By the public markets?—A. Yes.

*By Mr. Young:*

Q. We have evidence here that the public market get their prices from the packer?—A. I might say this, that the packers there do not buy hogs until

they find what price has been established on the central market. The price that is established on the stockyard is the price that covers all trading for that particular day in the west.

Q. How do you establish it?—A. Well, it is established as has already been explained by the witness who preceded me—.

Q. Going to the packers?—A. Turning backwards and forwards among the packers' buyers and finally deciding what they will accept for their hogs; the same principle applies as that which has been explained here.

*By Mr. Sommerville:*

Q. Mr. Oswin explained that through competition they succeeded in raising their guaranteed 7 cent price to 7.15 and 7.25, by reason of their trading?—A. Yes.

Q. That would be the means of establishing that price?—A. In other words, the same things applies out there as Mr. Oswin suggested. When the market opens in the early morning hours we might get seven cents from the packer, and then orders might come in from the East offering to buy hogs at 7.10, 7.15, or 7.20.

Q. And you use these to boost the local price?—A. Yes, that is really what establishes our market. To get back to where I was speaking of: on the heifer the driver was only bid \$1.50 per hundredweight. He reloaded the heifer, realizing that it was not her value, and brought her to the stockyards, where she was eventually sold in our alley at \$3.50 per hundredweight.

A certain shipper shipped a mixed load of stock by rail. Everything was sold at the packing plant except eight light bulls on which the best bid he could get was \$1.15 per hundredweight. He brought these bulls over to the stockyard, where he sold them at from \$1.25 to \$1.65 per hundredweight, an increase in value sufficiently large not only to pay all marketing costs, but the freight from shipping points.

Then I would like to give you one illustration in regard to lambs. A truck driver took 24 lambs to a plant, the owner happened to be with the driver and refused the best bid which was offered, a bid of \$4; these lambs were reloaded and brought to our yard and sold to the stockyard buyer for the same packing firm at \$5 per hundredweight; not the same buyer, but a different buyer from the same plant.

Now, if there is one thing I wish to see in connection with this discussion, and this evidence, it is to be fair; and I would like to say at this time that I have heard of many cases where exactly opposite results have been obtained; but the point I want to make is this, that the lack of competition and skillful, experienced salesmanship makes for unevenness in values than in the majority of cases, I submit, is bound to result in an injustice to the producer. My point is that when the producer is dealing with skilled buyers, there is need for equally as much skill and experience on the part of the party responsible for the sale of same on direct plant shipment, the skill is very one-sided, to the detriment of the producer.

*By Mr. Factor:*

Q. In other words, you say that the trucker should merely do trucking and not have anything to do with the selling of live stock?—A. Yes. That is really what is in the back of my mind.

Q. That is what it amounts to?—A. Yes. Another thing has developed in recent years and has, in my opinion, a very detrimental effect on the establishing and maintaining of a good, steady price tone to our live stock values, values free from violent fluctuations; I am now referring to the direct buying at country points on the part of the packers. This practice has grown very greatly during the past two years. The producers themselves and their representatives,



and we commission men, are partly responsible for this situation, and it has come about as the result of what I referred to under my opening remarks as a result of high pressure and unsound competition. In justice to the packers, let me say this: that at times they been forced to go to the country and buy in order to combat the action of commission firms in refusing to show or sell them what we call through billed hogs, selling these through billed hogs only to eastern buyers in order to secure the billing advantage for the shipping agent or the producer.

*By Mr. Young:*

Q. That is to say, a carload of hogs comes in to you at Winnipeg, billed right through, we will say, to Toronto or Montreal, and the packers want to see the billing, is that it?—A. No. I might illustrate that in this way: Take North Battleford for instance, as a point to illustrate from. You bill a load of hogs to Montreal on a through billing. There is a differential between through billing and local billing from North Battleford to Winnipeg where the hogs are sold and from Winnipeg to Montreal. For example an order that might use these hogs, that differential might be 12 cents a hundred—I am not just sure what it is—but there is 12 cents that the buyer in Montreal can pay more for these hogs than the buyer in Winnipeg.

*By the Chairman:*

Q. On the through bill?—A. Yes, on the through bill. The point is this: There is possibly two agents at Battleford, one man bidding against another, going to perhaps different commission firms, one man with a through load of hogs, the other man has not got a through load of hogs. If the load can be sold on a through billing, he can either keep for himself the 12 cents differential, or whatever it might be, or pass that increased value back to his customers; and there you have one of the evils of what I term as high pressure competition. I will enlarge on that a little bit further on.

*By Mr. Sommerville:*

Q. Will you continue?—A. While this practice without doubt shows an immediate advantage in net returns on the small percentage of through billed hogs that come to this market, the point that must not be lost sight of is that it is not giving our local packers a fair break, and this is one of the unfair practices I spoke of. In my opinion this through billing could and should be done away with by a new set of freight rates, providing of course, that the new set-up would take nothing from the producer and would take care of the present differential. This, in my opinion, would go a long way towards improving the feeling of the packers towards stockyard trading, speaking for western Canada, and incidentally, I believe would improve the whole tenor of our hog trade.

*By the Chairman:*

Q. Let me get that clearly. What you propose is that there should be a permit where a car is billed through, that it stop in Winnipeg and be sold there if convenient, and yet enjoy the proportionate through billed rate?—A. I would go further than that. I would say that the time has come when the whole freight rate structure, as it affects live stock, should be gone very thoroughly into.

Q. Did you see Mr. McLeay's evidence on that?—A. No, I have not.

Q. Well, let me get the point clear; you believe that the present rail rates on live stock as they are, through to the east, are too high?—A. Yes, under the present returns to the producer.



*By Mr. Sommerville:*

Q. As against the local rate?—A. Yes.

Q. It is the differential that you are speaking of?

The CHAIRMAN: No, he is talking about the whole rate.

The WITNESS: Yes, I think our rate structure is wrong. I think we should have something in the nature of a market to market rate, consolidation of which would give us our through rate.

*By the Chairman:*

Q. Have you any evidence to give, or any that you can give on the subject, as regards what the rate should be?—A. No, I am not in a position to. I am not a tariff man.

Q. Well, Mr. McLeay gave us a very good statement on that.

*By Mr. Sommerville:*

Q. The system of a market to market rate is the system that is in force on the United States railways?—A. That is how the United States rates are made up, yes.

Q. And they make up their through rate by adding together the market to market rates?—A. Yes.

Q. Will you continue?—A. I think a very sound and safe statement may be made to this effect, that if any packer, it matters not whether he is operating on the Toronto, Montreal, Winnipeg or Edmonton market, makes heavy purchases of hogs at country points, naturally they are then weak buyers on the central stock yard markets that week. In other words, their support to the market that establishes the price is gone, and in consequence the market works lower. Yet the price established on the central stock market is the basis on which they buy their next week's f.o.b. country hogs. It simply means this, that the man who sells on an f.o.b. basis, and thinks he is beating the game, is only fooling himself and not the packer; because as a result of this policy, eventually the lower scale of prices is reflected on his sales the following week. In other words, the system of f.o.b. buying gives the producer nothing in the way of permanent price protection, and no permanent advantage over the central market system.

I am endeavouring to be fair, and trying to place responsibility where it belongs, because only in this way can we gain a true perspective of our common problem.

*By the Chairman:*

Q. Mr. Freer, have you any endorsement of that particular point in your observations from, we will say, experienced representatives of producers?—A. I would say yes; I could get you plenty of them, plenty of them.

Q. I would be interested, frankly, if that point were supported by some evidence?—A. The unfortunate part, Mr. Stevens, in trying to get information of this nature in shape that you can use, is to get hold of the right party that will give it to you. For instance, the man in the country does not know. The man coming to the stock yards and who understands trading and the system that is carried on, he can see the picture.

Q. That is the producer?—A. Yes.

Q. Who is operating for himself?—A. Yes, and who will come to the market.

*By Mr. Young:*

Q. Do any producers who are in the habit of coming in with their stock make a practice of going direct to the plants, or do they all go to the yards?—A. There are some that go direct to the plant, but not very many; because very few producers have a sufficient volume to make a direct plant shipment.

Q. Are there any who go sometimes to the plants and sometimes to the yards?

—A. There are very few.

Q. It is pretty hard to find a man who has had experience of both ways?

—A. Yes, that is the trouble; it is rather difficult.

*By Mr. Sommerville:*

Q. If you do not get the producer, then the next man who would have experience would be the drover, would it not?—A. Yes.

Q. What do you find with the drovers? Do a majority of them go to the packer or do a majority of them go to the stockyards?—A. In the west, the majority go to the stockyards.

Q. Is that a very large majority?—A. Not a very large majority. Of course, you want to remember this, that what affects the direct shipment to the plant is whether or not they have got a suitable shipment to go; that is, a man with a straight car of hogs would consider going to the plant, while a man with a mixed load, with perhaps feeder cattle in his load, would not dream of going there.

Q. But, generally speaking, the majority of drovers go to the market rather than to the packing plant?—A. Yes.

*By Mr. Young:*

Q. Have any of the drovers been hired on salary by the plants to go out and buy for them, men who used to be drovers on their own account?—A. I can't speak with any authority on that point.

Q. You spoke about plants buying out at country points; they must have buyers there?—A. I think you will find that most of the buying that I mention has been done through co-operative shipping agents at these different points, and drovers who have collected stock may or may not be on salary. I don't know on that point.

*By Mr. Factor:*

Q. Who represents the buyers at this point?—A. Well, the drover in this particular case would be the buyer for the packing plant.

*By the Chairman:*

Q. He would be the middleman, as it were, between the packing plant and the producer?—A. Yes.

*By Mr. Young:*

Q. He would be either on salary, or so much a head or something?—A. Yes.

Mr. YOUNG: He would be in the employ of the plant, in some way or another.

*By the Chairman:*

Q. All right, Mr. Freer, will you proceed?—A. May I for a moment go back to the basic principle I raised. That was that there can be no permanent recovery in general economic conditions in this country until we get agriculture on its feet, until its products are being marketed on a profitable basis to the producer. The question is how are we going to do it, and on the shoulders of each one of us rests the responsibility of finding the answer.

There are certain very great responsibilities that lie at the door of the railway companies, of the truck drivers, of the packing plants, of the governments, of the stockyards managements and of the commission firms. I long ago came to this conclusion, that to solve this problem we have all got to work together on it. I do not think any one of us should be critical of any business or any system unless, in the first place, we are prepared to be fair in our criticism; and in the



second place, prepared to offer something constructive in the way of a solution or improvement.

May I then offer to you one or two thoughts indicating from what direction we might, with a certain amount of hope, look for a solution. I think most of us will agree that, in a general way, world prices are reasonably well reflected on our central markets, that competition is sufficiently keen to see to that. Anything, however, that we can do to increase and improve keen, healthy and fair competition in buying and selling is, and always has been, fundamentally sound. Therefore we should work along that line.

If you analyse the reason why feed charges and yardage charges at stock-yards are high, why commission charges cannot be reduced, why freight rates are high, I think your deduction will be the same as mine: simply because of lack of volume through the proper channels. If all the commercial live stock marketed in Canada came through the channels organized for it, and organized at such tremendous expenditure of public and private funds, an immediate increase in price would, in my opinion, result; and marketing charges of all kinds could positively be reduced. If the railway companies, who maintain at their own expense a 365-day service throughout the year, day in and day out under all kinds of weather conditions, had the handling of all the marketward live stock, there is no reason that I can see why certain freight rate concessions cannot be made, and I believe branch line services improved by smaller units and possibly by more frequent services.

In regard to the packers, my contention is that in the interests of the producer and of improved markets and better net returns to the producer, the packers should be asked to eliminate country buying and fill their requirements on the open competitive market.

In regard to our governments, theirs is the responsibility of creating all-weather highways and maintaining them, keeping them open and under repair under all kinds of weather conditions so that fleets of heavy trucks can use them. It is therefore up to them to so regulate this truck service to a point where it cannot develop into unfair competition to our railroads. Possibly the solution of the truck problem might come about by co-operation between them and the railways, by having the present truck systems localized and becoming feeders to our present railroad system within certain zones.

While I am not here to represent any particular branch of the industry, I would like to say this on behalf of the Winnipeg Live Stock Exchange of which I am a member, that I know it stands four-square behind any movement that has for its objective the increasing of net returns to the producer. The cutting off of a dollar or two per car on the selling commission, or reduction of a few cents on feed and yardage charges and so on, will not get anybody anywhere. We have got to look at the problem in a bigger and broadened way than that. In my opinion it all boils down to getting a bigger volume of better quality stock flowing through proper marketing channels. This, in my opinion, will make it possible to reduce handling costs all along the line, and what is far more important and far more vital, it will tend to increase and stabilize live stock price levels.

Now, I would like to follow that up, before we have any further discussion, by completing my story about the meeting at Winnipeg on December 21. At that particular meeting, as I have already stated, all the various component parts of the industry were represented. As a matter of fact, one of the largest packers on that market made the statement, when the discussion got pretty warm around the question as to whether we should ask for legislation compelling live stock to go through these markets, that if the government has got courage enough to put in legislation to that effect, we have got courage enough to comply with it. I don't think that he made that statement in a jocular sense. I think possibly there was something behind it. While I hesitate, and always have



hesitated, at anything that smacks of compulsion, I frankly believe that there is no other way of getting this problem solved. As a result of this meeting, the following resolution was passed:—

That the findings of this meeting be brought to the attention of departments of agriculture of the other western provinces, with the hope that they may arrange for similar meetings to this being held in their respective provinces, and general accord be found with the action suggested here in the interest of the live stock industry as a whole;

And that should such accord be attained, that the eastern provincial and Dominion authorities be approached in the hope that there may be formed a national organization for the promotion of the live stock industry;

And that the functions of such a Dominion-wide organization shall be:—

- (a) The distribution of authoritative information to farmers as to the type of all species of live stock required to comply with the requirements of our various export markets;
- (b) The collection of information as to the available markets, requirements in processing, packing, et cetera, of live stock products for the information of the packing interests;
- (c) To lend every effort possible to the securing of adequate markets.

So far as that goes, I personally stand four-square behind it.

*By Mr. Sommerville:*

Q. That is the resolution?—A. Yes.

The CHAIRMAN: That has been a very interesting statement, Mr. Freer. Have you any questions, gentlemen, that you wish to ask? Well, thank you, Mr. Freer, very much. I think you gave us your opinions very clearly and concisely, and it is very helpful.

We will not meet this afternoon, but we will meet at 11 o'clock to-morrow morning.

The witness was discharged.

The committee adjourned at 12.50 p.m., to meet on Thursday, April 12, at 11 a.m.

HOUSE OF COMMONS, ROOM 368,

April 12, 1934.

The special committee appointed to inquire into Price Spreads and Mass Buying met at 11 o'clock a.m., Hon. H. H. Stevens, presiding.

Mr. Norman Sommerville, K.C., of Toronto and Mr. W. W. Parry, K.C., of Toronto, appeared as counsel for the committee.

The CHAIRMAN: Order, gentlemen. The minutes of yesterday contain the record of the exhibits filed, the witnesses called, and the procedure. Unless anyone has any observations to make, I declare the minutes approved.

Now, a letter has been received from the Saskatchewan Live Stock Board which, perhaps, it might be well to read. It is addressed to me as chairman of the committee. It is dated Regina, April 6, 1934, and reads as follows:—

DEAR SIR,—The Saskatchewan Live Stock Board, which represents all live stock interests in this province, considered the question of presenting evidence before your commission investigating the marketing of live stock and other items. They felt, however, that the matter had been fairly brought to your attention through the efforts of other western stockmen, ranging from the rancher on the one hand to the Live Stock Pool on the other, and for the time being have passed the following resolution and are not presenting evidence at the present moment:

'Be it resolved that we, the Saskatchewan Live Stock Board, record our appreciation of the action of the Federal government in instituting the parliamentary inquiry respecting the marketing of live stock and other matters and in introducing legislation to provide a National Board for the marketing of national products and recommend:—

(a) That a Federal Commission be appointed to enlarge the enquiry regarding live stock marketing and afford persons throughout Canada interested in live stock an opportunity to present facts and opinions regarding live stock marketing;

(b) That we inform the Saskatchewan government of our desire that legislation be introduced at the present session of the Legislature to provide for the marketing of agricultural products from Saskatchewan under the new Federal marketing legislation.'

This resolution is fairly definite and I think expresses the views of our Board.

I would be glad to be advised as to how long the commission will be sitting in order that if an opportunity presents itself we can make further representations in the interests of the Saskatchewan live stock industry.

The letter is signed by J. G. Robertson, secretary, Saskatchewan Live Stock Board.

There is another letter which does not deal with the business of this committee; it deals with the questions of exporting live stock through Churchill, so it does not interest this committee.

Now, I would ask the opinion of the committee on another point. The Winnipeg Live Stock Exchange has sent forward a rather interesting and well studied letter giving their views on the question effecting the reduction in commission rates charged by commission firms, and they have sent with it a brief setting forth their views. Now, the question arises: Can we accept a statement of that kind and include it in the records, or should we call these people as witnesses with all the attendant expense and trouble of calling them, merely for the purpose of presenting this brief in the form of evidence?

Mr. KENNEDY (*Peace River*): Is there a sworn affidavit with it?

The CHAIRMAN: No.

Mr. ILSLEY: I do not see why it is not all right to put it in.

The CHAIRMAN: If we went to the expense of bringing them here they would only come here and read this brief, and, after all, they are a responsible body.

Mr. KENNEDY (*Peace River*): Is there anything in the letter that will need explaining; or is it pretty clear.

The CHAIRMAN: We will go over it pretty carefully, and we can bring the matter up at a subsequent meeting.

Mr. FACTOR: We have been doing this right along; witnesses have been presenting briefs, and they have been sworn.

Mr. SOMMERVILLE: It might be apropos to have it read now because we are having evidence from the Toronto Stock Exchange, and they might be examined upon some of the questions that are raised in this brief.

The CHAIRMAN: Suppose we have it read now?

Mr. YOUNG: We can call witnesses if we want them.

The CHAIRMAN: If the committee, subsequent to hearing the brief, desire to call witnesses for examination we can call them, and I think we should avoid expense if we can do so.

Mr. SOMMERVILLE: (Reads): Modified Rates of Commission, imposed by the Department of Agriculture of the Dominion of Canada and effective 9th April, 1934.—Arguments presented by Eight Commission Firms of the Winnipeg Livestock Exchange Inc., against putting into effect such modified rates of commission.

#### HISTORY OF WINNIPEG LIVESTOCK EXCHANGE INC., AND ROUTINE FUNCTIONS OF COMMISSION FIRMS

Before proceeding with the argument, may we comment briefly on the history of the Winnipeg Livestock Exchange Inc., and the routine functions carried out by the member Commission firms.

#### HISTORY OF EXCHANGE

The Winnipeg Livestock Exchange was formed in 1914 and incorporated in the year 1920. The objects of the Exchange were, among other things, to provide a central market place where supply could meet demand and daily and hourly prices for livestock could be established for the benefit of the producer as well as for the consumer. The Exchange is governed by "The Livestock and Livestock Products Act" a Dominion Act and by enabling legislation passed by the province of Manitoba. Under these Acts, the rules, regulations and by-laws of the Exchange are subject to confirmation by the Minister of Agriculture, whose department maintains a constant supervision of all the activities of the Exchange, with the result that everything possible is done in that respect to protect the Shipper and Producer.



# ROUTINE FUNCTIONS NECESSARY TO PROVIDE SAFEGUARDS AND EFFICIENT SERVICE TO THE PRODUCER

The Commission firms comply with the many and necessary regulations laid down by the Department of Agriculture as to grading, weighing, sorting, selling, etc.—all for the protection of the producer.

The Winnipeg Exchange is the only livestock exchange in Canada where a clearing house is maintained, which requires that all purchases and sales must be settled for within twenty-four hours. This institution is supported by the members who pay .03 cents per cheque. In 1932 over 17,000 cheques passed through the clearing house. Whilst this obviously is a protection for the Commission firms, it also automatically protects the producer. In 1932, the total value of livestock sold through the Exchange approximated 7 million dollars, with no loss to the producer. The advisability of a clearing house would therefore seem evident.

The shippers are further protected through the bonding of commission firms, charges for which are paid by the firms themselves.

The Shippers Trust Account, which entails further office work, is maintained so that the firms' position in respect of Trust Funds is readily ascertainable by departmental inspectors. In short, Commission Firms endeavour to comply with all regulations and provide the best service possible for their clients.

The following schedule gives some indication of the work entailed in handling and selling a co-operative shipment of mixed livestock for which the commission varies at present from \$17 to \$22 per car—depending upon the number of owners interested.

Shipments that arrive during day:—

1. A man must be on hand to cut out calves and bulls.
2. Stock must be sorted. Sorting is very essential as it is of great benefit to have the stock properly classified so that the animals may be sold to the best advantage.
3. Stock must be well fed and watered.
4. When stock has been weighed tickets must be delivered to office.
5. Tickets must be checked with Manifest.
6. Tickets must be checked with Scaleman's cards.
7. Extend tickets and check extensions.
8. Invoice to buyers.
9. Mail or deliver invoices.
10. Main statement to be made.
11. Pro-rate statements for 3 to 70 owners.
12. Issuing of cheque or cheques.
13. Many statements delivered to hotels, others need special delivery to post office in order to make train connections, this being due to curtailed train service and also postal collections at yards. These trips cost 25 cents.

The following staff is required to carry out the above mentioned duties viz:

A salesman for each different species of livestock: e.g., cows and heifers, steers, calves and bulls, sheep and lambs and hogs.

Office staff.

Feedmen.

Weighmen.

Gatemen.

## IT IS CONTENDED

That whilst the maximum benefit that could possibly accrue to each producer, through the modified rates of commission is \$1 per annum, in fact there is no assurance that this saving of \$1 will reach his hands.

In support of this it is submitted that the loss of revenue to the Commission Firms of \$17,500 represents an apparent saving of a similar amount to the producer. Whilst this sum may loom large, the auditor's report clearly indicates that this saving means on an average:—\$1.73 on each carload shipped; or .03 cents on each head of livestock sold, or .25 cents on each \$100 of livestock sold.

It is a reasonable assumption that each producer will sell an average of \$400 of livestock annually, at 1932 price levels. The reduced rates of commission therefore can only benefit him to the extent of One Dollar (\$1) per annum—and will be received by him in sums varying from .03 cents up.

It is further submitted that there is no definite assurance that this saving of \$1 per annum will reach the hands of the producer.

Experience indicates that only 20 per cent of the producers deal directly with the Commission Firms. The livestock of the remaining 80 per cent is handled through the Exchange by shipping agents, who in their turn deal directly with the producer. The shipping agent is employed by the producer for an agreed upon price per 100 pounds (say, .60 cents per 100). From the remuneration paid to him by the producer he pays all expenses of shipping and selling (including, of course, the selling commission). Were he to pass on to the producer the saving in selling commission expense he would reduce his charge from .60 cents to approximately .59 cents per 100 pounds.

It is further contended, that, in fact, the maximum possible benefit to the producer of \$1 per annum is more than completely nullified because the services rendered by, and even the permanent existence of his own public market are threatened.

In support of this it is submitted: The routine functions of the Commission Firms and the safeguards instituted for their carrying out have been furnished to you. Your attention is now directed to the outstanding benefits derived by the producer through the establishment of a public market for his use.

The Commission man acts as a buffer between the producer and the buying market and through a special training is able to obtain the best possible prices for the producer.

The producer is thus provided with a reliable market and is kept advised constantly of market conditions and prices through the daily newspapers, or by direct communication with the Commission firms, by way of telephone, wire or daily market letter. Efforts are being made continuously by the Commission firms to find new markets and buyers for livestock and the producer is kept constantly advised thereof.

The employees, including principals and salesmen and office help, may be considered as engaged in the profession of handling and selling livestock. It is a profession which requires training and long apprenticeship in order to acquire the knowledge necessary to efficient bargaining. The Winnipeg Livestock Exchange does not hold a selling monopoly of livestock sold through it. According to the "Dominion Act" any owner has the privilege of selling his livestock on the Exchange and has the use of every facility for so doing. No advantage of this provision is taken by shippers or producers. They realize the necessity of having trained, professional salesmen to barter with trained, professional buyers. Through this means only may they be assured of obtaining the best possible prices for their livestock.

It is therefore submitted: If the reduction in wages, which the reduced commission would make inevitable, become effective, the wage—already at a minimum figure—would be set at discouraging levels. This would depress the morale



of the personnel of the selling organization of the producer—having the effect of taking away the keen edge of ambition so essential to effective bargaining. To illustrate: A minimum car is 20,000 pounds. A keen salesman will endeavour to obtain the last .05 cents per 100 pounds possible—an indifferent salesman will not be too concerned. Five cents per 100 means \$10 on a minimum car. The saving through modified rates is \$1.73 per car.

This is one important instance where efficiency is impaired. Other instances may be readily had e.g. market reports, prompt dispatch of remittances to producers; sorting and grading livestock to the best advantage, etc.

It is further submitted that: The Commission firms are the selling agents of the producer. Their interests are identical, viz:—to obtain the best possible prices for livestock. If one suffers a hardship it is bound to react to the detriment of the other—if not immediately, then ultimately. The Union Stock Yards is a public market serving some 17,500 producers in Alberta, Saskatchewan, and Manitoba. Had the modified rates been in force in 1932—the continuance of operations showing a loss of \$13,500 would have been impossible, with the result that the continuance of the Union Stock Yards as a public market operated by experienced Commission men would become seriously endangered.

It is further contended: That, based upon 1932 statistics, the reduced rates will cause:—

- (a) A loss of revenue to the Commission firms of \$17,500.
- (b) Resulting in the 1932 operations being carried on at a loss of \$13,500.
- (c) Loss of revenue would have to be borne by the 75 employees of the Commission firms.

In support of this it is submitted: that the modified rates will work an unwarranted and unjustified hardship on a small group of society—with benefit to none.

For the year ended December 31, 1932, the combined net profits of the Commission firms, as shown by our auditor's statements, amounted to \$4,000. When the modified Commission rates are applied to the same year, the loss of revenue amounts to \$17,500—thus converting the small profit to a loss of \$13,500.

The Commission firms cannot operate at a loss.

It is further submitted that:—the personnel of the Commission Firms comprises 75 principals—salesmen; office staff and yard help. During 1932, principals and salesmen received an average yearly wage of \$2,690; office staff \$1,490; yard help \$890. The only methods by which it is possible to recoup the loss of revenue of \$17,500 are by either reducing wages or discharging employees or both. If a general reduction is made this will mean a 12½ per cent reduction of wages already at a minimum.

Unfavourable business conditions have already been felt by them during the past few years and business and personal reserves have been called upon to effect the reductions in net profits and wages—in a real effort to keep their organizations intact and efficiency unimpaired. Past records indicate that no abnormal profits have ever been earned. The principals and the majority of the salesmen of the present day Commission houses are over fifty years of age and have been engaged in the business most of their lives. True—they have made a fair living—but they are still working.

The 75 employees of the Commission firms are engaged in serving approximately 17,500 producers residing in the three western provinces. By the modified rates a group of 75 are forced to contribute from \$112 to \$336 per annum—not from any excess of earnings but by hardship—for the extremely doubtful benefit (of \$1 per annum) of approximately 17,500 producers.

This appears as a futile gesture.



It may be argued that an increase in volume of live stock handled will replace the loss of revenue of \$17,500. As against this it is contended that there is no definite assurance as to when or whence this increased volume will come.

As has been pointed out, the saving in commission charges to the producer which the reduced rates would bring about, is so small that it is inconceivable that it would induce increased production and volume. There is no warrant for anticipating an increased volume for any other reason.

It may be further argued that through a reduction in the number of firms, economies will be effected sufficient to replace the loss of revenue of \$17,500. As against this it is contended:

That these economies will again be effected chiefly at the expense of the employees, whose discharge makes them eligible for the unemployed lists;

That the competition of the eight firms amongst themselves in bidding for the producer's business works to the benefit of the producer in the matter of prices obtained, market reports, prompt remittances, et cetera.

The selling organization will become a monopoly, and its interests tend to divorce themselves from those of the producer, its employer.

Governments are not earnestly concerning themselves with the evils of monopoly such as a reduction in the number of firms would establish. The larger the number of competitive sellers and buyers, the better the market for the producer.

It may be further argued that the drastic decrease in live stock prices to the producer has not been shared by the commission firms, as commission rates have remained the same since 1921. As against this it is contended that the present revenue from selling commissions is not in itself sufficient to support the commission firms. Prior to 1930 clearance charges on through shipments of export cattle to the United States provided a lucrative source of income. This revenue was of benefit to the producer in that it enabled the firm to carry on with a minimum rate of selling commission. With the passing of the Fordney-McCumber tariff in 1929, the export business to the United States ceased abruptly and that source of revenue vanished. No increase was made in the rates of selling commission. On the other hand, efforts were put forth to replace this loss of revenue through canvassing the eastern buyers to trade through commission firms on the Winnipeg exchange. This trade has been built up as a result of earnest endeavours and has had a two-fold effect, viz: It has created a more active market for the producer and resulted in gross earnings to the commission firms in 1932 of over \$24,000. The importance of this revenue is evident.

Commission rates have remained the same since 1921 up to the 1st October, 1932, when some reductions were made. These reductions were made at the instigation of your department, and although they were accepted by the exchange in a public-spirited way, they caused an actual loss of revenue in 1932 estimated at from \$3,000 to \$4,000. In view of this loss of revenue, the commission men consider and submit that the proposal that they should sustain a further loss of revenue, based on 1932 figures of \$17,500, is unjust. It is more particularly unjust because it injures them and cannot possibly benefit the producer.

It is further contended that the producer has, in effect, received additional reductions in commission rates. There has been a steady rise in live stock prices during the year 1934, due to the widening of the producers' market. This is resultant from the Ottawa agreements and generally improved business conditions, and has automatically reduced his selling commission from \$2.50 to \$1.50 for each \$100 of live stock sold. The modified rates reduce his selling commission by 25 cents per \$100 of live stock sold. In point of fact the commission charge is the smallest item of the producer's shipping and selling expenses.

## CONCLUSION

In conclusion may we state that we have endeavoured to present the case of the commission firms fairly and frankly, and may we emphasize that they are the employees of the producer. The producer's interests and their own are identical, and when one suffers the other suffers. Hardships worked on them by way of the present enforced economies threaten the permanent existence of the producer's own public market, and thus the apparent benefit of \$1 per annum accruing to the producer is more than nullified."

That was accompanied by a letter, the second paragraph of which reads:

We submit that the proposed reduction is unjustified for the reasons, based upon the 1932 statistics:

The effect on the producer is:

- (a) That whilst the maximum average benefit possibly accruing to the producer through these reduced rates is one dollar per annum, in fact there is no assurance that this saving of one dollar will reach his hands.
- (b) That in fact this maximum benefit of one dollar per annum to the producer is more than completely nullified because of the services rendered by, and even the permanent existence of, his own public market are threatened.

The effect on the commission firms and their seventy-five employees is urged in the letter, and they intimate that they are furnishing an auditor's statement showing the combined result of the 1932 operations of eight commission firms, members of the exchange, and that is to be forwarded and filed with the statement.

Mr. YOUNG: Do they say what the reduction is that the department has asked for?

Mr. SOMMERVILLE: I think it is \$2 a car.

Mr. FACTOR: I was wondering what jurisdiction this committee has to go into this question of commissions. It appears rather a matter for the Department of Agriculture.

The CHAIRMAN: We will probably have to say, when we make our report, whether or not the charges in the yards are reasonable or unreasonable, as part of the spread in the cost of marketing live stock. That is where it really comes in.

Mr. SOMMERVILLE: It arises through the evidence that has been given that marketing charges and stockyard charges and exchange charges are high. This is the statement furnished.

The CHAIRMAN: Who is the witness this morning?

Mr. SOMMERVILLE: We have Mr. Quinn, Mr. Chaplin and Mr. Talbott, representing the Toronto Live Stock Exchange. I will call on Mr. Quinn first.

A. B. QUINN, called and sworn.

*By Mr. Sommerville:*

Q. Mr. Quinn, you are a member of the Toronto Live Stock Exchange?—A. Yes, I am.

Q. And you are engaged in selling live stock as a member of the exchange on the Toronto stockyards—A. Yes.

Q. How long have you been in the cattle business?—A. I have been in the cattle business about 35 years; on the stockyards about 25 years.

Q. How many firms are there upon the stockyards?—A. At the present time there are ten.



Q. Ten commission firms?—A. Yes.

Q. And those ten commission firms compose the selling organization on the yards?—A. Yes, they do.

Q. And those ten firms represent the producer in the sale of live stock?—A. Absolutely.

Q. And your firm is under what name?—A. A. B. Quinn & Son.

Q. It has been operating on that market for many years?—A. Yes.

Q. What is the volume of business that passes through that market, I mean volume in dollars? Can you give me any idea approximately just what the volume of business is, not of the earnings, just the volume of business handled?—A. Yes.

Mr. FACTOR: You mean of all live stock?

*By Mr. Sommerville:*

Q. All live stock passing through the stockyards?—A. In the year 1932 we had \$15,285,108.07.

Q. And have you got the figures for 1933?

The CHAIRMAN: That is sales, is it?

Mr. SOMMERVILLE: Sales, \$15,000,000 odd.

*By Mr. Factor:*

Q. Is that net?—A. No, that is gross—gross sales. The gross sales in 1933 were \$13,869,900.94.

*By Mr. Sommerville:*

Q. Sales of live stock on the Toronto market?—A. Yes, on the Toronto market.

Q. Through the stockyards?—A. Yes, through the stockyards.

Q. I understand you have prepared a statement showing some facts with reference to the establishment of the live stock commission agents. Have you a number of copies of that?—A. Yes, we have.

Q. I would like to have a number of copies of this for the members?—A. There will be enough for each one, if you wish.

Q. Just when you are giving us the figures on the total sales of live stock in each of these years, perhaps you would give us the figures on the total commissions in each of these years, earned by the live stock selling agents?

Mr. FACTOR: You mean commission agents?

*By Mr. Sommerville:*

Q. Commission agents, yes?—A. At the time the 1932 statement was made, there were just nine commission houses, and the gross income was \$300,821.83.

*By the Chairman:*

Q. That is in 1932?—A. Yes.

Q. What is it for 1933?—A. The gross income from commissions in 1933 was \$298,081.77.

*By Mr. Sommerville:*

Q. I understand one of the members of your delegation is to present to the committee the question with respect to the sufficiency, or adequacy or inadequacy of the charges that are made; but I want to ask you particularly, Mr. Quinn, with respect to market practices in live stock marketing. You say you have been on the market for 25 years. I understand the market has been established some 50 odd years and has been progressively the public market for the province of Ontario?—A. Since 1873.



Q. And on that market each of the firms maintain a staff of expert salesmen and handle all the stock that arrives at the market?—A. Yes.

Q. What is the basis of the commission that you get for handling the various kinds of live stock?—A. \$17 per car for cattle, or mixed cars.

Q. This statement that you have handed me is a comparative statement—you have got some copies of this, have you, for the members of the committee?—A. Yes, we have.

Q. This is a comparative statement of commission charges, showing the commissions that are paid at Toronto and at other markets, both for carload shipments and truckload shipments?—A. Yes.

Mr. FACTOR: Those are fixed by the act, are they not?

*By Mr. Sommerville:*

Q. Those are fixed under the regulation of the department?—A. Of the department?—A. Of the department, yes.

Q. That is at Toronto the charge is \$17 for a carload of cattle?—A. Yes.

Q. And \$13 for a carload of calves?—A. Yes.

Q. How many cattle are there in a carload?—A. They may run anywhere from 20 to 40, depending on their size. Sometimes you get more than 40 in a car.

Q. That is cattle?—A. Yes.

Q. And calves, how many?—A. From 70 to 100.

Q. From 70 to 100 calves in a car?—A. Yes.

Q. And the commission is \$13?—A. Yes.

Q. How many sheep—A. An average of about 90 to 100, sometimes 110.

Q. 90 to 100 in a car?—A. Yes.

Q. And the charge is \$10 a car?—A. Yes.

Q. What about hogs?—A. We would average them at 80.

Q. You average them at 80 hogs a car?—A. Yes.

Q. And the charge is \$10 a car?—A. Yes.

Q. You give the relative charges at other markets in the United States?—A. Yes.

Q. Buffalo, Jersey City, Chicago, Lancaster and England?—A. Yes.

*By Mr. Kennedy (Peace River):*

Q. What about England; I don't quite understand that.

*By Mr. Sommerville:*

Q. Would you explain these charges with reference to England?—A. It is charged on a percentage basis there.

*By Mr. Kennedy (Peace River):*

Q. The percentage?—A. Yes, so much percentage, works out at \$2.60 each for any individual, the percentage.

Q. Is that the percentage on the price?—A. My price, but there is a set minimum.

*By Mr. Sommerville:*

Q. There is a set minimum of \$52 for 20 head?—A. Yes.

Q. And a set minimum of \$2.60 for any additional head?—A. Yes.

*By Mr. Factor:*

Q. That is cattle?—A. Yes, cattle.

*By Mr. Sommerville:*

Q. At all markets, excepting Toronto, a service and pro-rating charge is made, ranging from \$1 to \$5 per carload?—A. Yes.

Q. At all other markets that you have referred to there, or in Canada do you mean?—A. Well, Winnipeg especially.

Q. There are service and pro-rating charges?—A. Yes.

Q. What is a pro-rating charge?—A. Would you care to read the section that covers that?

*By Mr. Factor:*

Q. Is that fixed by regulation?—A. That is fixed by regulation. I will give a little explanation of it, when that is read.

Mr. SOMMERVILLE: This is reading from the regulations of the Toronto Live Stock Exchange, approved by the Department of Agriculture, section 11:

In addition to the regular commission, the charge for pro-rating a car of live stock consisting of more than two owners, shall not exceed the following:—

Less than three owners—nil.

Three owners—one dollar and a half.

Four to six owners—two dollars.

Seven to nine owners—three dollars.

Ten to twelve owners—four dollars.

Thirteen or more owners—five dollars.

On a shipment of live stock consisting of more than one car and more than two owners, to ascertain the average number of owners per car divide the number of cars into the number of owners, and where the average is less than three owners per car, the said shipment shall be considered a one-car shipment and charged for as such.

*By Mr. Sommerville:*

Q. Have you any pro-rating charges on the Toronto yards?—A. Well, there are eight commission firms, or nine now, that never put that into effect, due to the low prices of the stock and everything. We co-operated with the producer as much as possible and we waived that. We waived that privilege which we had.

Q. Although that is provided for in your regulations, you say?—A. Yes.

Q. And approved by the department?—A. Yes.

Q. You say it has never been collected by your nine firms?—A. Yes; but the U.F.O., I understand do charge 10 cents per cheque or per statement on car stock.

Q. On car stock one firm charges 10 cents per cheque?—A. Per cheque.

Q. That is if there are five owners in a car, they get 50 cents?—A. Yes; for 15 they get \$1.50.

Q. For 15 owners they get \$1.50?—A. Yes.

Q. That is even less than what is given by the regulations?—

*By Mr. Kennedy (Winnipeg):*

Q. Mr. Quinn, are these charges waived at all at the Winnipeg exchange, do you know?—A. I believe not. I think they carry those charges out.

*By Mr. Sommerville:*

Q. Apparently, according to the statement read from Winnipeg, the charges at Winnipeg being from \$17 a car to \$22 a car?—A. Yes.

Q. And I presume anything over the \$17 is due to the pro-rating charge?—A. Yes, which we have the privilege of charging also, but we have never done it.

*By Mr. Factor:*

Q. You have never done it?—A. We have never done it; we have never put it into effect.

*By Mr. Kennedy (Winnipeg):*

Q. The \$5 pro-rating charge is the maximum, no matter how many owners are represented?—A. Yes.

*By Mr. Sommerville:*

Q. Then with reference to the truckload shipments, I see your statement shows charges at Toronto: for cattle, one dollar each, calves 25 cents each, sheep, 20 cents each and hogs 20 cents each; and Buffalo, Jersey City and Chicago rates are given in comparison. Those are the rates that are charged?—A. Those are the rates that are charged on our market and on the other markets named there, showing that our charges of commission are lower than any of those others.

The CHAIRMAN: We might probably just include that statement, with the brief statement that it is put in evidence, to show that the Toronto charges are lower than the others.

The WITNESS: Yes, our charges are lower.

COMPARATIVE STATEMENT OF COMMISSION CHARGES AT OTHER MARKETS—  
COMPARED WITH TORONTO—

Carload shipments	Cattle	Calves	Sheep	Hogs
Toronto.....	\$17.00	\$13.00	\$10.00	\$10.00
Buffalo.....	\$18.00 to \$22.00	\$16.00	\$14.00	\$14.00
Jersey City.....	\$20.00 to \$25.00	\$15.00 to \$20.00	\$12.00 to \$15.00	2% on gross sale
Chicago.....	\$17.00	\$17.00	\$13.00	\$14.00
Lancaster.....	\$30.00	—	—	—
England.....	\$52.00 for 20 head—\$2.60 each for any additional.			

At all Markets, excepting Toronto, a Service and Pro-Rating Charge is made, ranging from \$1.00 to \$5.00 per Carload

Truckload shipments	Cattle	Calves	Sheep	Hogs
Toronto.....	\$1.00 ea.	.25c. ea.	.20c. ea.	.20c. ea.
Buffalo.....	\$1.25 ea.	.35c. ea.	.30c. ea.	.35c. ea.
Jersey City.....	\$1.25 ea.	.40c. ea.	.20c. ea.	2% on gross sale
Chicago.....	.90 ea.	.40c. ea.	.20c. ea.	.30c. ea.

*By Mr. Sommerville:*

Q. Now then, perhaps you would be good enough to tell the committee what is the service rendered by the commission agent?—A. Shall I read it just as it is.

Q. I think that might be most convenient?—A. A short sketch of the service as rendered by the commission agent:

We would like to give you a short sketch of our operations on the market, showing what we do to convert live stock into as many dollars and cents, as it is possible to secure for them. It is our desire to protect the producer in every possible way so far as the marketing of his live stock is concerned, besides our



keen interest in keeping him posted on marketing conditions, and encouraging him to ship his live stock to the public market, where it will be sold in competition by experienced live stock salesmen, who are well able to cope with the organized buyers of live stock.

Shipments arrive at the market either by rail or truck, there being very few driven in on hoof. When shipped by rail, the cars are unloaded by the Union Stock Yards Company, who are responsible for the count of the animals and the delivery of the animals to the sales pens of the Commission Firm to whom they are consigned, after which the Commission Firm is responsible. When shipments arrive by truck, the Commission Firm is responsible for the animals from the time the truck arrives until they are disposed of, and which service must be maintained 24 hours each day, 6 days each week in the case of trucked-in animals, and 7 days each week for carload deliveries.

Might I say there, in regard to trucks, that the commission trade receive them at the unloading chute and take them down the sales alley. The stockyards don't touch them there.

Q. Just at that point, has there been a large increase in the trucking in of live stock of late years?—A. Oh yes, considerable.

Q. What number of additional men would be required at the gates to receive the trucked in stock?—A. I believe it would take about 30 men to receive that stock coming in by truck.

Q. Thirty additional men to receive the stock?—A. Yes.

As soon as the animals are in the care of the Commission Firm, it is the duty of their yard staff to see that the animals are comfortably bedded with plenty of feed and water, besides the cleaning of the animals, in order that they may have their best possible appearance before being offered for sale. The animals are also sorted as to different type and quality in order to sell to best advantage.

*By Mr. Isley:*

Q. Does this statement relate to the sale of hogs or of cattle?—A. This is cattle, just on that.

The market opens at 9 o'clock, by which time Commission Men have a fair line on the receipts at other markets, besides who are to be the most active buyers, as regards to their different needs and requirements. After testing out certain of the early buyers, it does not take long for a salesman to know whether or not the market is going to be slow, steady or higher. The salesman must use his best judgment as to whether or not he is to accept his early bids or keep working along either endeavouring to raise the market or secure bids from other buyers.

Finally when the deals are consummated, the animals are turned over to the Commission Firms yard staff, who drive them carefully to the weighing scales, where they are weighed in accordance with the instructions from the salesman, according to ownership, prices and name of buyer, after which the animals are in the hands of the Stock Yards Company until they are delivered to the buyer.

From the scale, the weigh tickets are taken to the office of the Commission Firm, where they are computed, and credited up to their respective owners or consignments and where all records, statements and invoices to buyers are rendered. Pro-rations of different owners animals are made, and separate statements and cheques issued to each owner, whether it be for a single animal or a carload. This detail can hardly be explained, without one being in actual attendance to see the whole matter being taken care of by an expert staff, equipped with up-to-date office equipment and accounting systems.

*By Mr. Sommerville:*

Q. You say direct shipments have increased substantially of late; will you kindly give to the committee your observations on the effect of these truck shipments?—A. Well, I don't just get your question there; do you mean the truck shipments, or to the stockyards.

Q. What has been happening with the movement of live stock by truck of late?—A. Of late there has been a great increase in the percentage of live stock which has been delivered to the packing plants, with the packing plants having 50 per cent of their live stock come direct, with 68 to 70 per cent of calves alone in 1933.

Q. Perhaps you could give me exact figures now on direct shipments during 1933 on the various kinds of live stock?

*By the Chairman:*

Q. You are speaking of Toronto??—A. It is only Toronto I am speaking of.

*By Mr. Sommerville:*

Q. Yes?—A. In hogs, Canada Packers received 415,000 hogs; 106,500 of these were on the market, which made their direct buying 74 per cent.

*By Mr. Factor:*

Q. How did you get these figures as to Canada Packers' volume?—A. We might give you the names, but you will understand that we do not care to make them public.

Q. No. Is it published?—A. Through the hog graders.

*By the Chairman:*

Q. The total figures are published?—A. The government issued these figures.

*By Mr. Factor:*

Q. But not on cattle?—A. No. At the Swift Plant they received 147,300, which were cattle, and 58,400 were bought on the market; that made 61 per cent on their cattle were direct.

*By Mr. Sommerville:*

Q. Sixty-one per cent of Swift's cattle are direct shipments, and 74 per cent of Canada Packers?—A. Right.

Q. And White's?—A. The White Packing Company killed 93,500, their market purchases were 49,300, which made 47 per cent direct.

Q. Forty-seven per cent to White Packing Company direct; that would mean 53 per cent bought on the market?—A. Yes.

*By Mr. Edwards:*

Q. And you say Canada Packers bought 74 per cent?—A. Yes. Swifts, 61; and Whites, 47 per cent. Now in cattle I have not got the number of head, but I have the percentage of their kill direct, Canada Packers 33 per cent direct.

*By Mr. Sommerville:*

Q. Thirty-three per cent of the cattle of Canada Packers was shipped?—A. Direct.

Q. That meant 67 per cent of their cattle bought on the market?—A. Yes. With Swifts 18 per cent of their kill was direct.

Q. Of cattle?—A. Of cattle, which left 82 per cent purchased on the market. In calves Canada Packers figures were 75 per cent direct, and 41 per

cent purchased on the market; Swifts bought 27 per cent of their calves direct, and that left 73 per cent on the market. On sheep and lambs, Canada Packers 45 per cent of their kill direct; Swifts 47 per cent of their kill direct.

Q. Have you the figures with respect to White's as well?—A. White's do not kill sheep and lambs, calves either, to speak of; very little if any.

Q. Perhaps you will tell us about the movement of truck shipments as set out in your statement?—A. With respect to truck shipments:

The movement of live stock to plants by truck has been, in our opinion, one of the greatest points of weakness to the value of all classes of live stock.

The trucker is, primarily, interested in the transportation of live stock from the farm to the market, and with all due honour and respect to a large number of honest-to-goodness truckers, it is a very potent fact that many of these men are by no means capable of selling the producers live stock by unloading it at a plant, where there is only one buyer to bid on it. The buyers at the plants are picked men, and smooth working, shrewd in their dealing. You can imagine what chance a young man from the country has in dealing with these clever people. Even in our capacity, we would hesitate to say that we could sell the producers live stock at any plant, and be able to say that we had got all it is worth, and conscientiously collect our commission for doing so.

*By Mr. Kennedy (Peace River):*

Q. What do you mean by that?—A. Because there would be no competition, there is only one man to bid on the stock and his bid is final. You can either take it, or take your stuff away.

Q. But you are an expert cattle man?—A. True, but the man goes to that buyer and he gets only the one bid.

Q. But on the market he would get more than one bid?—A. Well, there is the chance that some other fellow would come along and bid beyond him, and it is a different thing altogether.

Q. And when you are not on the public market you are only in the hands of this one man?—A. Yes.

Q. And you would not know whether you were getting the same price as on the market, or not; the situation is that at the packing plant the man is not in touch with the market itself, with his seller?—A. Absolutely not, he knows nothing about the market.

Q. That is what you mean then when you say he don't know?

Mr. KENNEDY (Winnipeg): Will you develop the matter a bit further, whether in direct shipments the price paid by the plant is lower than that paid on the market.

Mr. SOMMERVILLE: I will do that with all of these gentlemen.

Mr. ILSLEY: Before he leaves that: the question is whether or not the packer has an interest in keeping the sellers satisfied about their direct shipments to the plant; therefore, I suppose they take advantage of their superior cleverness and shrewdness, do they?

*By Mr. Sommerville:*

Q. What do you say as to that, Mr. Quinn?—A. I do not believe they altogether care whether they satisfy the man who comes on his own, the volume is not very great.

*By Mr. Ilsley:*

Q. I gather from your figures that Canada Packers are running to direct purchasing of everything except sheep, that Swift's buy a little more from the market than Canada Packers—Canada Packers are buying a larger quantity direct on all stock except sheep. Apparently they consider that is an advan-



tageous way in which to buy and would like to get the farmer better sold on that idea. Do they not have an interest in making the seller satisfied with the prices they pay?—A. The seller who takes supplies there is only interested in one thing, he is a trucker, and he is not much interested in anything other than delivering stock at the receiving places.

Q. What about the man back home, the bottom would drop out of the whole thing if you didn't give him some money for his stock?—A. A good many truckers take back the money to these farmers, and the farmer don't know but what his stock has been sold on the market; they leave the impression they have been. They take back the cheque to the farmer and then they cash that cheque for the farmer.

*By Mr. Kennedy (Winnipeg):*

Q. Won't the farmer find out whether he is getting the going price or not?—A. Not entirely, a great percentage of the farmers do not know the grade of their stock.

Mr. EDWARDS: I think the answer there is in the fact that the trucker can make two or more trips a day.

*By Mr. Young:*

Q. Is there any competition between these truckers?—A. I would say that there was, they are interested in getting all they can.

Q. If there are two truckers competing in the same district for stock, will not one establish a reputation for getting a few cents more than the other, that he is a better salesman?—A. I think the answer to that is that the farmer does not know the grade of his stock.

Q. Does that make much difference?—A. A great amount of difference.

Q. But suppose one trucker in buying stock brings back a cent or a cent and a half more for the stock than the other; won't he get the business?—A. He might, but there are very few localities in which there are two or three truckers working.

Q. Do you mean to argue then that the packers have apparently persuaded the farmers that this system of shipping their stuff direct to them and taking a lower price than they could get otherwise is a good thing?—A. The packer is not asking them to take a lower price, he is giving them all the encouragement he can to ship direct.

Q. They are persuading them to come and take a lower price?—A. Yes.

Q. How are they doing that?—A. They haven't got a man with knowledge of values, that knows the values of these animals; they have not the advantage of a commission salesman who knows values.

*By Mr. Edwards:*

Q. There is only one bill, is not that another reason?—A. That is another reason—they receive the stock, weigh it, and put a price on it.

*By Mr. Sommerville:*

Q. Who grades it?—A. He grades it.

*By Mr. Factor:*

Q. Does not the producer know all these facts; is he so ignorant of these things that he continues to ship his products direct to the plant?—A. Some of them may, some of them are mighty shrewd.

*By Mr. Sommerville:*

Q. Some of these truckers when they have their own stock to sell—where do they take it?—A. Oh, they just take it to the market.

Q. Do they ever bring it to you?—A. I have had a trucker bring his stock to me, and I would ask him why he did not take it over to the packing plant, and he would say, I do not feel capable of selling my stock. I would rather take it to the market, and have you sell it there.

*By Mr. Kennedy (Peace River):*

Q. You think he would get better results through the services of an experienced salesman?—A. I would think so.

Q. And having one man who has no interest in the sale or purchase of the hogs is bound to be better in the long run?—A. Absolutely.

Q. Here is another point, do you know of anybody who can be sure about the weight he is getting; is there anybody there who knows whether he is getting the proper weights on his live stock or not?—A. There might possibly be.

Q. Do you think any man is capable of looking at a load of hogs, or an individual animal, and telling what its weight would be?—A. Not exactly, no.

*By Mr. Sommerville:*

Q. Before you leave that question of weights; what equipment have you at the stockyards for weighing, does it vary from the equipment for weighing at the plant?—A. On the sheep and lamb scale we have a five-pound notch.

Q. What does that mean?—A. They weigh to 5 pounds. We will say a calf weighs 98 pounds, for example; at the stockyards he would get 95 pounds—that three pounds don't count one way or the other; at the packing plant he would get only 90 pounds.

Q. That is to say, the scale at the packing plant has what is called in the vernacular a ten-pound notch, that is, they weigh in units of 10 pounds?—A. Every ten pounds.

Q. Does this amount to very much with every lot being weighed as a lot?—A. No, but with present conditions when deliveries are only small—take calves and lambs—there are many lots of one, two or three. With a big lot the difference would not amount to much, but where you have just a few, or one animal, it does mean something; I will just illustrate it now. You take on a car on which we have 17 drafts, it might amount to quite a lot on each draft.

Q. What do you mean by 17 drafts?—A. Seventeen cheques.

*By Mr. Edwards:*

Q. You mean, different consignees?—A. Yes. And if that lot had been weighed on the packers' scales, these men would have lost about \$5.

*By Mr. Young:*

Q. The packer always takes the break-down?—A. Naturally, any one does. They do nothing that is out of the way. You must have a break-down or you are not going to get weight. They are only human, the same as the rest of us. We have always advocated a law under which every person would be on the same footing with weigh scales and a weighmaster under supervision the same as the stockyards are.

*By Mr. Sommerville:*

Q. I understand from your evidence that you are not charging, or suggesting, that there is deliberate underweighing at the plants?—A. Oh, no.

Q. I would not expect that, you are dealing with the packers every day, and you would not make any such charge as that.

*By Mr. Kennedy (Winnipeg):*

Q. Is it impractical to weigh by the pound?—A. Yes.

*By Mr. Edwards:*

Q. Do I understand you to say that at the packing plants the weighing unit is ten pounds, and that at the stockyards the unit is 5 pounds?—A. Yes.

*By Mr. Sommerville:*

Q. That is, the unit of 5 pounds is on the scale for sheep and calves in the stockyards; but the unit on the large scale for cattle is ten pounds?—A. Yes.

Q. So that the system with respect to the weighing of cattle at the stockyards and at the plants is to use the 10-pound scale?—A. Because of heavy weights and we do not figure it makes very much difference.

Q. But with respect to small stock—sheep and calves—the stockyard has a 5-pound notch, as against the 10-pound notch scale of the packer?—A. They are all registered beams.

*By Mr. Young:*

Q. When you sell stock you sell to the packer?—A. Not always.

Q. But frequently?—A. Oh, yes.

Q. Does he weigh it on his own scale?—A. On the yard scale, everything that is sold on the yard is weighed on the yard scale.

Q. Does he not reweigh it on his own scale?—A. He could reweigh it as much as he liked, but settlement is made on the basis of the stockyard scale weight.

*By Mr. Factor:*

Q. Have you ever discussed the advantage of selling through the expert commission agent with the producer?—A. Yes, two years ago this spring the commission men put on a series of meetings through the country in order to meet conditions, and to acquaint the farmers with the advantage of selling through the market. I think it had some effect. We pointed out the advantage to them, and dealt with the truck situation, and how it works a hardship on them. We showed them that where the cattle come to the yards they get a chance at least to drink water, and doing that they would take on weight as much as ten to 30 pounds to one animal—the amount of weight the animal gains in the yard is sufficient to fully cover the charges they pay there.

Q. It requires more or less of an educational campaign among the producers to point these advantages out?—A. Yes.

Q. Have you pursued that to any degree?—A. Well, a year ago we dropped it off. The exchange went to the expense of the meetings, and carried it on until it got late in the season, about haying time. You can't get the farmers to attend meetings in a busy season like that.

Q. Are there any advantages in selling direct to the packer?—A. Not apparently for the producer, it is a better argument for the trucker than it is for the producer.

*By Mr. Sommerville:*

Q. Who is the chief factor in increasing shipments directly to the plant?—A. The trucker.

Q. And why?—A. Because he can go direct to the plant, make his deal, get unloaded and get away quickly; he gets back and gets his second load in, and he is interested in getting as much in as he can. That is the way he makes a lot of money, regardless of price.

*By Mr. Young:*

Q. Just before you leave that, you spoke about the gain in weight in cattle that are put in the yard, and fed and watered—does not that make a difference in the price?—A. It might, in certain cases.



Q. Is there not a fed-and-watered price and an off-car price?—A. Not in particular—not in Toronto.

*By Mr. Sommerville:*

Q. In Toronto you sell on the basis of the fed-and-watered price?—A. Yes, hogs are the only things sold off cars.

Q. The animal sold off cars does not bring any extra price over the other?—A. It is our experience it doesn't.

Q. Now, will you continue your statement?—A. It is rather an interesting fact—

Q. No, you say your commission firms are in agreement on this point; it simply cannot be done, nor will they accept a commission for doing so?—A. Oh, yes. Now, would you like me to give you an exhibit of the agreement of the commission men.

Q. The commission men are in agreement on the point that they will not sell to packing plants with reference to cattle?—A. No, would you like to see that?

Q. As long as you state that is the fact.

*By Mr. Factor:*

Q. The commission men are in agreement that they will not sell to the plants, is that it?—A. They will not have anything to do with any stuff going direct.

*By Mr. Young:*

Q. You would not have any chance to have anything to do with it, would you?—A. Yes.

Q. If it was shipped direct to the plant, the commission man would not get a look in?—A. Not at present; but there are shippers who would like us to go over and handle that, particularly the carlots.

Q. Go to the plant and bargain for them?—A. Go to the plant and sell it there. We saw what was coming was a disadvantage to us, and we made an agreement that we would not have anything to do with stock going direct to the plant.

Q. Why did you do that?—A. Because we saw it was undermining our growth; that when the packer had 50 per cent or 20 or 25 per cent of his purchases at the packing plant it would move that buying power over there. If commission men encouraged that they would soon have all their business over at the packing plant.

*By Mr. Sommerville:*

Q. You say: "Our entire trading of each week in the buying and selling of live stock on commission, except on hogs, will take place only at the Union Stockyards at West Toronto in accordance with the hours of business as regulated by the Toronto Live Stock Exchange, and that no commission firm nor any of its employees be allowed to buy live stock in the country except for consignment to the Union Stockyards in Toronto, and that all commission firms and their employees be allowed to canvass for consignments in the country subject to the provisions as set forth in the rules and regulations of the Toronto Stock Exchange"? In other words, there was a temptation on the part of some firms to canvass for cattle in the country and ship them direct to the plant and collect commission; and there is an exception with respect to hogs. Why is there an exception with respect to hogs?—A. At that time, and it still exists, the great habit of the packers was buying their hogs f.o.b., and they tried to secure the biggest share of their deliveries, say, 74 per cent, in the country, and buy them f.o.b. and pay for them that way.

*By Mr. Edwards:*

Q. F.o.b. shipping point?—A. Yes, f.o.b. shipping point.

*By Mr. Sommerville:*

Q. And with 74 per cent of their buying direct on an f.o.b. basis they would control that situation?—A. It puts them in a position they scarcely need, to go off the market and play with the 74 per cent.

*By the Chairman:*

Q. Why do you relax your opposition to that? You said a moment ago, when you were reciting your opposition to direct shipments, that you excepted hogs; why do you except hogs?—A. We do not except any hogs at the plant.

Q. Do you resist or condemn the practice with hogs the same as with cattle?—A. I said we do not receive; we do sell some hogs direct to the plant. An expert salesman comes along, and they do not have to stay at the plant; they are bartered the same as on the market.

*By Mr. Sommerville:*

Q. You do that because of the fact that the plants already control 74 per cent of the hog shipments?—A. Yes. We have either got to lose that end or—

The CHAIRMAN: You succumbed in that case?

The WITNESS: Yes, we always feel we were capable of selling to them. We are not like the truckers.

*By Mr. Young:*

Q. The object of the agreement was to discourage the practice of shipping direct?—A. Yes.

Q. And you find it is not working; they are shipping direct anyway?—A. The car stuff is not nearly as much.

Q. Do you find stuff is going back to the yards instead of to the plants?—A. Yes.

Q. They are not gaining ground there?—A. They are not gaining ground on their truckage. Take the drovers—some of the men who have been in the business for years and have been putting their own money in their stock, they prefer to ship and do ship 90 per cent of both sheep and other stock to the commission firms.

Q. You have not been able to discourage the shipment of hogs direct to the plant by refusing to sell, but you go over there and sell?—A. No, we do not go over; we sell hogs f.o.b. in the country.

*By Mr. Sommerville:*

Q. And your fear is that you would not sell them any hogs if you did not sell on that basis?—A. Yes, they would take our customers away from us.

Q. And as a consequence you have succumbed on hogs?—A. Yes.

Q. Your proportion of sheep and lambs seems to be growing?—A. Yes.

Q. What is the proportion there?—A. Canada Packers, 55, Swift, 27.

Q. And with calves about?—A. 33 per cent of calves Canada Packers, and Swifts 18 per cent.

*By Mr. Young:*

Q. Before you drew up this agreement among yourselves, refusing to sell at the plant, had you been in conference with the stockyard people?—A. With the stockyard people?

Q. Had you discussed the matter with the people who control the stockyards?—A. No. The stockyards and the Commission men are separate.

Q. They are, I know. The stockyard men have been coming here and asking us to stop direct shipments. Now, you come here and you say you are encouraging the stopping of direct shipments by refusing to sell anywhere but in the stockyards. Was that an agreement with the stockyard people?—A. No. It was for our own benefit.

Q. You have never discussed the matter with the stockyard people?—A. No. I do not think we ever discussed it with them. We never had any meetings to discuss the situation.

*By Mr. Sommerville:*

Q. Will you proceed?—A. It is rather an interesting factor in Toronto to watch the operations of one of the plants in the east end of the city, the old Davies plant. Apparently it did not pay as a processing establishment, as the whole of it has been closed up with the exception of the truck deliveries equipment, where there is a tremendous volume of live stock literally dumped there by the truckers from eastern Ontario, and which apparently is very keenly solicited. It is certain that it must be bought at prices low enough to stand the packer's expense of operating this private plant, and their paying the expense of freighting it up to west Toronto plant for processing, which is usually not done until the day after purchase. Shrinkage must be heavy, which means added costs and yet it must be cheaper in the end, otherwise this operation would not have continued to the extent of over 1,000 carloads in the past year. Now, it would not cost the producer another cent to have this live stock delivered at the market, which could be done in a very little more time by the trucker, who would not dare raise his fee of trucking, because of the keen competition he is up against in the transportation of animals. Instead of selling the animals on empty weights off trucks, they would have every opportunity to feed and water, and more than recover in weight the cost of market expenses, besides having them sold in competition, weighed on scales by certified weighmaster in accordance with The Livestock and Livestock Products Act, scales with a type-registering beam, tested daily, full returns made to owners with a clear statement of the sale and his own personal cheque in payment of the best returns the market can possibly hand him. Cheques issued from a "shippers trust account" under the supervision of the Department of Agriculture. Besides all this, the Commission firm keeps their shippers posted as to market conditions, and endeavours to regulate the marketing of trucked-in animals, just as much as in the case of carload shipments.

All live stock should be shipped to the public markets. The processing of animals into meat products by the abattoirs is no different to the operations of any manufacturing plant. Their whole aim must be to make money for their shareholders. Therefore, besides maintaining a plant in which they endeavour to process live stock as cheaply as possible, they must also maintain competent staffs of salesmen to sell their meat products for as high a price as it is possible to sell them for; also it is extremely important that they enlist the services of shrewd capable buyers to secure their requirements just as cheaply as it is possible to do.

Q. Are there any bonds at all on truckers who carry stock?—A. None whatever.

Q. Your men are bonded?—A. For \$10,000.

*By Mr. Young:*

Q. Now, you say it would not cost the producer another cent to have this stuff delivered at the market, and we were told yesterday that this stuff comes from the east, and to deliver it at the market the trucker will have to haul it another six or seven miles. Do you mean to say he would not charge a cent to do it?—A. No.



Q. Are you sure of that?—A. I am sure of it. The same as the railway. They drop off a car at the Don and the rate is the same as if they bring it to west Toronto. We have truckers from the east that go right by.

Q. If you were a farmer or producer and a trucker came to you to take a car of hogs, and you said, "I want you to take them through to the market," would he not charge you any more for it?—A. No.

Q. Why do not the farmers insist on them doing it?—A. I cannot answer that.

Q. If there is any disadvantage in dumping it off at the Davies plant, and he can get it delivered at the market for the same price, I cannot understand why he does not insist on it?—A. It leads you right back to the trucker.

Q. Surely, the farmer has some say. If competition is keen, the trucker will say, "I will take your stuff right to the market"?—A. We will clear that up a little later on in the committee with a letter that has been sent on from a producer.

*By Mr. Kennedy (Winnipeg):*

Q. I suppose the reason that the farmer is not inclined to send it through the yards is because of what he considers as the expense of marketing through the yards, commission, etc.?—A. Exactly.

Q. Can you tell us what that expense amounts to?—A. On cattle about \$1.30 per head. That is made up of \$1 commission, 25 per cent market fees, 5 cents insurance.

Q. What is it on hogs?—A. Five cents market fees and 20 cents for selling.

Q. Twenty-five cents?—A. Yes.

Q. What is it on calves?—A. Ten cents market fees and 25 cents for selling.

Q. Sheep?—A. Twenty cents for selling and I think, offhand, it is 6 cents for fees. I may be a cent wrong.

Q. I suppose the farmer has in his mind that by shipping direct to the packers he saves that?—A. Yes.

Q. And your argument is that you give him service?—A. Yes, we more than offset that.

The CHAIRMAN: Feed and water—added weight offsets those charges; is that your argument?

The WITNESS: Yes.

*By Mr. Kennedy (Winnipeg):*

Q. Does the farmer pay anything for that feed?—A. For the hay.

Q. Would the farmer pay for any feed he might need?—A. Yes, he would pay for the feed, in one way; in another way, that stuff goes into the yards from which there has been a load of cattle removed and there is, perhaps, 25 pounds of hay left there which has already been paid for by the previous shipper, and that load gets the advantage of it.

*By Mr. Sommerville:*

Q. Trucked-in stuff does not pay the same as stuff brought in the previous night?—A. No. We figure if they come off the truck and they are warm and get a drink of water, that is all.

*By Mr. Edwards:*

Q. I suppose if he is charged for the hay the price that is paid he will not gain anything in regard to the weight of the animals?—A. Oh, yes, between the hay and water, naturally an animal would weigh more.

*By Mr. Sommerville:*

Q. Would your feed and water weight increase cover not only the market charges but freight as well in many instances; would the increased weight from your feed and water pay not only the market charges but the freight as well?—A. Absolutely. For instance, if you have a bullock it is quite usual for them to drink anywhere from 20 to 30 pounds, and 20 pounds is a pail of water, and anybody who knows anything of stock knows they will drink up a pail of water. Many of them will drink two pails. If cattle are 4 cents a pound, 20 pounds at 4 cents makes 80 cents. The higher the price the more it is. That is based on 4 cent cattle.

The CHAIRMAN: I really do not think the witness got your point, and probably it might embarrass him later. You do not really mean to say that feed and water would offset the freight?

The WITNESS: The freight in on the truck?

The CHAIRMAN: Yes.

The WITNESS: Oh, no; not the total charge.

*By Mr. Sommerville:*

Q. I was asking you about the total charge?—A. Oh, no; not an average case; but we figure that nine times out of ten we are capable of getting much more for that farmer that would later offset all the charges, much more.

Q. That is to say, the feed and water increased weight will pay all the market charges?—A. Yes.

Q. And you say that the increased price that you get will more than offset all the charges, freight as well as market charges?—A. Would you like me to give you a little example?

Q. If you will?—A. Here is one bull, not a high priced one, I am sorry to say. On March 28 it had been sent to a packing plant and he was bid  $2\frac{1}{2}$  cents for the bull and he would not accept it. He brought it to the market and sold the bull for \$2.80 a hundred. It weighed 1,280 pounds. That came to \$35.84. Yardage 30 cents, commission \$1, expense at yards \$1.30, a gain of 30 cents per pound over price at plant—1,280 pounds at 30 cents, \$3.84 less \$1.30, which made a gain of \$2.54 on one bullock. It looks like a fair profit on one bullock.

Mr. ILSLEY: There was a gain in weight?

The WITNESS: We will say nothing about the gain in weight at all; it is just the gain in price. I was informed by my boys that the animal took a good drink of water. I cannot say anything about gain in weight.

*By Mr. Kennedy (Winnipeg):*

Q. Do you ever hear of cases where there is a gain by selling direct to the packers?—A. Do you mean taking them from the yards there?

Q. Taking them away?—A. Yes.

Q. And where they get a better price selling direct to the packers?—A. Yes, he may. If I take over a bullock in my truck—

Q. You have just given a profit of \$2 by selling through your yards. Have cases come to your knowledge where farmers have been getting a profit by selling direct to the packers?—A. We have been told that. I do not know for certain. They sold at \$5.25, and three heifers weighing 2,050 pounds at \$5.80. The yardage cost was \$1.30, commission \$5. The total for them all was \$208.15. Now, the total increased expense cost them \$6.30. The increase in the price was 75 cents per hundred, which left them \$21.70.

*By the Chairman:*

Q. Over what?—A. At the plant.

Q. And had he refused at the plant?—A. He refused, and after paying market expenses, which is \$6.30, he had \$21.70.

*By Mr. Sommerville:*

Q. How would you remedy the effect of this direct shipment to the plants?—A. Well, that is a pretty large question. I have studied it, thought it out, I suppose much bigger men than I am have. There is only one way, and that is legislation to bring all the stocks through the yards where plants are located within a reasonable distance of the yards.

Q. You deal with that in your brief. You have made that statement. Will you read that statement?

With the present system of their securing requirements from country points, where they can secure certain of their needs at prices slightly lower than can be obtained on the market, thereby enabling them to undersell their competitors who are operating on the open market, where they must endeavour to buy their supplies as near as possible to the prices of their competitors in order to meet this competition, making the net returns to the producer somewhat less.

If all live stock was dealt with on the public market, the producers would then meet with the buyers through the able services of the commission men, who are all men of long experience, who have devoted their entire life to the live stock business and who are equally capable of dealing with the highly trained shrewd buyers of live stock. Instead of the packers dictating the prices of live stock, the farmers would then be in a position to be the dictator, and with the concentrated buying power of all the abattoirs and small wholesalers, there would immediately develop a market that would be on a sound competitive basis, arriving at the true values of live stock from day to day. Packing houses would be on an equal footing in securing their supplies, and the confidence of the producers would be revived instead of having such an unsatisfactory condition as now exists, not only in the matter of doing business but also in maintaining their interest in the production of live stock. We are confident that with all shipments being offered on public markets that prices would be fully restored to a satisfactory level, commensurate at least with the cost of production.

Q. You say, "Packing houses would be on an equal footing in securing their supplies, and the confidence of the producers would be revived." What do you mean by that?—A. Well, they would feel then they were dealing with capable men that knew the value of their stock, and that there was competition on the market, there were different buyers. They would place confidence in the men that were handling their stock, and I think there would be a great deal different feeling. They would not always think the packer was taking advantage of them. They would have a say in the price of their stock, or handling it on the market, could say, "There is the stock, we want so and so, take it or leave it."

Q. We have evidence from Mr. McLean that there was want of confidence?—A. Yes.

Q. How do you account for that, from your angle, or your knowledge of it?—A. As regards the packer, sorry to say, the farmer never has seemed to have confidence in him. They always think he is taking advantage of them, whether he is or not. But putting it through the market channels, we feel it would remove all that.

*By Mr. Factor:*

Q. How do you explain that 67 per cent of them still ship to the packers direct?—A. I believe I mentioned that before. It is the dominating power their



truckers have over them. They simply go and buy their hogs f.o.b., which increases their flow of hogs there, from men that are capable, the drovers; these hogs are not just bought from the farmer. They are assembled by the drover and they are quite capable of making the deal and getting probably the value of their stock.

*By Mr. Kennedy (Winnipeg):*

Q. Surely when the farmer ships such a large percentage direct, there must be a feeling on his part that he is being dealt with reasonably fairly?—A. Well, you would think so, but where the farmer has got only two or three cattle, and that only occurs in such long spaces, he has got to get them to market, get them wherever he can, and get his money for them. It is not like a dealer dealing direct. I think the best illustration of that is the drover who goes up to market with his stock. He buys his stock every week. He comes to market. He would not have the confidence, though he is a shrewd buyer, to go over and deal with the men at the plant.

*By Mr. Sommerville:*

Q. That is to say the drover who is dealing in cattle, calves and sheep?—A. Yes.

Q. But you say the drover, when he is dealing in hogs, does sell direct?—A. Yes.

Q. They fix the price at the station?—A. Yes.

Q. And he knows the prices that are paid?—A. Yes, before it leaves. If it is not a satisfactory price, he ships to the market.

Q. And the large shipments of hogs, do they go through these drovers or through these collecting stations?—A. Quite a large percentage.

Q. But otherwise you say the farmer has just a few head from time to time?—A. Yes.

Q. And that the dominating factor is the trucker?—A. Yes.

Q. The man who carries it in?—A. Yes.

*By Mr. Young:*

Q. Take the last sentence of this paragraph, Mr. Quinn: "We are confident that with all shipments being offered on public markets that prices would be fully restored to a satisfactory level, commensurate at least with the cost of production". Is there not a little exaggeration in that?—A. I don't think so. I think the producer would have a big say in the price of his goods, the same as any other man has. If you had to walk into the stockyards and buy your stock, and we know that there is no supply standing over at the abattoirs, we could stand up there and get a price for the producer there. We could dictate.

Q. What is the price of cattle to-day, butcher steers?—A. Butcher steers are running anywhere from  $4\frac{3}{4}$  to 6 cents a pound.

Q. What would you call a price commensurate at least with the cost of production?—A. Well, I think the majority of the cattle are selling away below the production cost.

Q. Below cost of production?—A. Yes.

Q. You say if they were sold through the yard, that would bring back prices?—A. They would gradually get back. There would be nothing to hinder it, if purchasers had to go out and buy their stock, that the commission men and the farmers would have a say in their goods, the same as a man has got anywhere else.

Q. We have a lot of evidence of steers being sold for seven to ten dollars apiece. You don't mean to tell this committee by shipping through the yard and not to the plant, that would bring the price back up to the cost of pro-

duction?—A. Probably not. They would have brought a great deal more of the cost of production than what they did.

*By the Chairman:*

Q. And if practically all of them were passed through the market, all of them would get a better chance for a higher competitive price; that is your argument?—A. Absolutely.

*By Mr. Sommerville:*

Q. I ask you a question that the committee have asked of others: Suppose you had, as you have now, in the case of the packer, 50 per cent of the supply taken off the market and in the hands of the packer, and 50 per cent of the buying taken off the market, would the result not be the same?—A. Absolutely, the condition would be just the same. They have got their 50 per cent of the supply off there.

Q. But what would be the effect upon the market itself?—A. Well, those buyers would be removed, and there would be a depressing effect.

Mr. YOUNG: Stock would be removed.

Mr. SOMMERVILLE: I am going to carry it through to a conclusion.

*By Mr. Sommerville:*

Q. Stock would be removed, but would the stock be in the same hands as the buyers that are now on the market?—A. Absolutely.

Q. That would be the effect of that 50 per cent of the stock being in the same buyers' hands that are on the market, on the balance?—A. They would not have to go on the market to buy?—A. They have got 50 per cent of their stuff, no matter where it is. If it is plants, it is at their plant. It don't make any difference. They have got it in their hands. If it was in the market, they would have to go into the yards and buy in competition.

*By Mr. Factor:*

Q. Well, I am not yet convinced about the lack of exaggeration in that last statement, that if all the stock was offered on the public market, you would get a price commensurate with the cost of production. Are there no other elements entering into the low cost of live stock?

*By Mr. Kennedy (Winnipeg):*

Q. Such as supply and demand on the market?—A. Well, yes.

*By Mr. Factor:*

Q. World conditions and world depression?—A. They all come in; they must come in.

*By Mr. Ilsley:*

Q. They are the main ones?—A. Yes. You must get into your mind that a packing plant processing your meat, if they have got 50 per cent or 70 per cent of their stock at their door, driving up there and unloaded, and they put the price on it, they are not going to put it too high, are they? They are going to go over to the market then and try to buy stock cheaper at the market, and they can slow it up. They can say to the trucker, "Here is the market price." For instance, if I drove up to your place in an automobile and ran up in the yard and said, "Here, give me what you like for this automobile. I am going home," and you send me a cheque next week, you are not going to give me any more, or anything like that, than what you think is fair, are you?

*By Mr. Sommerville:*

Q. What you say is that if the stock were all at the one market, if the processor had to buy at the one market, the butcher had to buy at the one market and the wholesaler had to buy at the one market, there would be competition?—A. Absolutely.

Q. And that competition would result in a better price for the producer?—A. Yes.

*By Mr. Factor:*

Q. According to the evidence produced, no one doubts that; but I mean it does not necessarily prove that it would be fully restored to a satisfactory level by this?—A. It would in time.

*By the Chairman:*

Q. I think there is a good deal in the statement made by a couple of my colleagues, Mr. Quinn. It is a pretty large statement to say, "We are confident that with all shipments being offered on public markets that prices would be fully restored." I would suggest to you that it might be advisable to moderate it a little?—A. It might be a little strong to say it would be fully restored.

Q. It is rather a selling point. As a matter of fact, I do not think it would be accepted as a statement of fact.

*By Mr. Young:*

Q. When you are selling stock on the market, Mr. Quinn, do you ever make any attempt to find out what they are paying at the plants?—A. We have no opportunity.

Q. Do you care?—A. Absolutely.

Q. Why do you care?—A. Well, because it would help us. If we know they have got a certain number of head of stock over at the market, they might be a little short on that class of stock, and if we knew they needed so much, we would be able to stand up a little stiffer.

Q. You do care?—A. Yes, we would like to see the producer get the value of his stock and not have them depress the market down there. If they depress the market there at their plant, they come over and depress it on the market.

Q. But if you see a lot of stock going to the plant and not much coming to the yard, does the thought ever cross your mind that possibly they are paying a little more over there?—A. No.

Q. It never does?—A. No. We are quite aware they are not going to.

*By Mr. Sommerville:*

Q. You are quite aware they are not going to?—A. Yes.

*By Mr. Young:*

Q. You don't consider them as competitors at all in the matter of prices?—A. If they could buy their cattle cheaper on the market, they would go over and buy it on the market.

Q. You don't consider them competitors then?—A. Why, yes, we consider them competitors. Why not?

Q. They are competitors with the yard?—A. Yes.

Q. There is competition between the plant and the yard?—A. It is not between the plants and the yards. It is the plants alone are bidding to depress the price at the plant. That is their main idea. Then they can go over to the market, and slow it up down there. For an illustration, you usually see by Wednesday the packers send out their prices on hogs less than what they are at the beginning of the week—usually.



Q. You say there is no competition between the plants and the yard?—A. There is competition in selling, trying to get more money. Then these packers are going over there, and we have still got these individuals to deal with that have got their 50 per cent.

*By Mr. Boulanger:*

Q. Is there competition between the plants?—A. Well, there is supposed to be.

*By Mr. Young:*

Q. Where do you get your price every day, that you are willing to buy at—that you expect to get?—A. The supply and the demand, and the price of beef around the city and such-like. It is all a regulating factor.

Q. But when you come down in the morning and start the day's business, if a farmer comes in with a load of stock and asks you how the market is, and you say butcher steers are so much, where did you get that price?—A. We form our idea that we will get that much.

Q. Where did you get the idea?—A. Beef is selling at a certain price; live cattle must be a certain price.

Q. Didn't that price come from the plant in the first place?—A. Do they come from the plant?

Q. Didn't that price come from the plant?—A. No.

Q. You don't get it from the plant?—A. We don't get no price from the plant.

*By Mr. Sommerville:*

Q. Mr. Quinn, do you get your idea from other markets, the run of other markets?—A. We get a wire from Montreal, and we get a wire from Winnipeg that they have got a certain run. If they are short there, then it would strengthen our market.

Q. So you first of all know something of the run of the cattle?—A. Yes.

Q. Then do you know something of the needs?—A. We try to find out as much of that as we can.

Q. If you knew what was the need of the packing plant—if you knew what they had on hand at the packing plant, and could size up the needs, would that put you in any better position?—A. A great deal better position.

Q. To bargain with your cattle?—A. A great deal better position.

Q. And at the present time you are not able to tell what they have got in?—A. We know nothing about it.

Q. By the way, the price is not marked on the ticket?—A. No.

Q. No public information?—A. No.

Q. At the plant?—A. But the stockyards do.

Q. What do you say as to the principle of putting the price on the tickets at the stockyards?—A. It has a very depressing effect on the market. Every packer can go in there and see what the other fellow is paying, exactly, for his stock.

Q. You think it has a definite depressing effect?—A. Yes. It is an injury to the market.

*By Mr. Young:*

Q. Most of your stock is sold to the packer in the end, is it not?—A. Well, yes, most of it; but we can give you a comparison. For instance, you would think there were only two buyers at our market. We have about, in the month of October—if you will allow me, we will take a couple of months, a month with a heavy run, and another month with a shorter run. For example, in the month of October we had 213 buyers in one week at our market. The Canada Packers

bought 2,507 cattle, which was 33 $\frac{1}{2}$  per cent of the cattle. Swifts bought 1,018, which is 13·5 per cent. Hunnisett bought 541, which is 7·2 per cent. Fifty other butchers bought 872 cattle, which is 11·6 per cent. Two exporters bought 257, which is 2·4 per cent, and 147 country buyers bought 2,008 cattle, which is 26·9 per cent.

Q. These country buyers were buying feeders?—A. Feeders, mostly.

Q. Mostly going to do the feeding in the country?—A. You see, we have around 200 buyers or suchlike for the month of October.

Q. That is when you have had a heavy run of feeders?—A. Yes, we took that from a heavy run. Here is a week in January—January 15—with probably a light run. Canada Packers bought 1,720 cattle, that is 36·1 per cent. Swift Canadian bought 1,062, which is 22 per cent. Hunnisett bought 421, which is 9 per cent. Forty-five butchers bought 761, which is 16 per cent. Three exporters bought 229 cattle, which is 4·3 per cent. Nine speculators bought 159, which is 3·3 per cent. Fifty country buyers bought 396, which is 8·3 per cent. So that we are not in the hands of the packers altogether, as some people have the idea. But when you speak of the 50 per cent of cattle and such like that are going directly in, these are removed; these buyers here which I have just mentioned never having had an opportunity to bid on that stock. There is no competition. If they were on the market, approximately two hundred and some odd buyers would have had an opportunity to buy. In January 100 buyers were on the market that week. If they had had an opportunity to bid on that 50 per cent more stock, it looks reasonable there would have been more money paid for them.

*By Mr. Sommerville:*

Q. That is an inducement to the increase in price?—A. Yes.

Q. Is that one of the reasons that you say the packers encourage direct shipments?—A. Sure.

Q. To remove those cattle from competition?—A. Yes, from competition.

*By Mr. Ilsley:*

Q. The more there are, the higher the price is—it does not seem reasonable?—A. These other 108 buyers didn't have an opportunity on them, against the other two at all.

*By Mr. Sommerville:*

Q. What you are saying is if the packer came for his cattle on to the market, and everybody had the same chance at it, the packer would pay more for his cattle on that market?—A. Certainly.

Q. Is not this what happens? Your two big packers get half of their supplies direct at the plant and they withdraw from the market then for part of the day; there is only half of the supply on the market, but only two of the buyers are holding off; would not these 108 other buyers then force the market up higher than it was?—A. It would seem so.

Q. Then when the plants do come in they would have to pay a higher price?—A. That might happen.

Q. That being the case then, the fact that the plants get their stock direct at the plant is going to force the price up, instead of down?—A. No.

Q. Why yes?—A. If they had to go out in the morning and bid with these other buyers, and bid in the morning, the result of that would be that the packer might bid a nickel here or ten cents there more than the other man—.

Q. But you have taken two buyers out of the market, and you have taken half of the stock off of the market; you have left on the market half of the stock and 106 buyers—there are more buyers on the market, are there not?—A. Yes.

*By Mr. Sommerville:*

Q. Now, in the morning you say that the market opens and the packer is not on the market; when does the information go out to other markets in Canada from Toronto?—A. Well, I believe the packers get their wires out quite early; the government is supposed to send out wires as early as they can, probably eight, or nine, or ten o'clock; then there may be a wire follow a little later, around eleven o'clock, giving the condition of the market.

Q. And if the buyer stays off the Toronto market, what is likely to be the effect?—A. There is likely to be a draggy market.

Q. And when sales take place on these other markets out west, they come back to you?—A. We get wires from all points, Winnipeg, Montreal—on the action there.

Q. And if the effect of the draggy Toronto market has been to make the other market?—A. It is apt to be draggy too.

Q. And it has an effect upon the price?—A. They may go out there and purchase their supplies, if that market is draggy.

*By Mr. Young:*

Q. Could you not repeat that process two or three times and get prices down to zero through doing it?—A. I do not know how much good repeating would do.

*By Mr. Kennedy (Winnipeg):*

Q. Without in any way reflecting upon the service that you, and those you represent, may give to the farmer, is it not a fact that so far as money returns are concerned, that for you and those you represent, your money returns are based almost entirely upon the stock being marketed through the yard?—A. Oh yes.

Q. So the money interest that you, and those you represent, have is tied up with marketing through the yard?—A. Yes.

*By Mr. Sommerville:*

Q. What reduction could take place in marketing charges if you had more stock marketed through the yards?—A. I think that if all stock was marketed through the yards there could be quite a readjustment made in charges—commission charges.

Q. And also in stockyard charges?—A. You would have to ask the stockyards for that.

*By Mr. Young:*

Q. What do you mean by quite a reduction in commission charges—\$1 or \$2 a car?—A. I think there would be a substantial reduction made.

Q. We had evidence this morning that a reduction of two dollars a car would not mean a cent to the farmer—he would not get it anyway?—A. If you want to follow it back to the farmer, possibly it might not.

*By Mr. Kennedy (Peace River):*

Q. Do you think the packers would have any difficulty in getting supplies if all the stock went through the yards?—A. They might have difficulty getting it at the cheap prices at which they are getting it now.

Q. What disadvantages would the packers suffer if they were not allowed to buy directly at the plant?—A. I cannot see where they would suffer any disadvantage, because their selling cost is based on their buying cost.

Q. Do you think they keep up this practice for the good of the producer?—A. Absolutely not.



Q. I imagine that this service they are rendering is costing them something?—A. They are charging it back to the producer, if it is.

Q. If the packers could not buy stock any cheaper by direct shipments, what would be the object in keeping up this practice?—A. They would not keep it up.

*By Mr. Sommerville:*

Q. As a matter of fact, would the packers' buyers tell you, when trying to buy your stock, that they could buy to better advantage on direct shipments than with you?—A. They always claimed that their direct shipments were cheaper; and they say, that is the cheapest stock we can buy.

*By Mr. Kennedy (Winnipeg):*

Q. Would the witness be more specific on that; is that the fact, have you the name of the packer who said that?—A. Yes.

*By Mr. Sommerville:*

Q. Now, Mr. Quinn, on your market you sell hogs on fixed differentials—at Toronto?—A. Yes.

Q. Do you approve of that basis for selling hogs?—A. Certainly not.

Q. How would you sell hogs?—A. On their grades.

Q. And why do you not sell them on those grades now?—A. Because the man who buys the loads, the packer, requests that he get everything in the load.

Q. And you are not able to sell them on grade?—A. No.

*By the Chairman:*

Q. You say "requests"—do you mean he "requests" or insists?—A. Insists or demands, you might say.

Q. He won't buy otherwise?—A. No.

*By Mr. Ilsley:*

Q. "Dictate" is the word we have been using?—A. I stand corrected.

*By Mr. Kennedy (Peace River):*

Q. I meant to ask the witness what is the chief reason for the growth in direct shipments and in the trucking in of stock?

The CHAIRMAN: Good roads.

The WITNESS: Roads have improved so; and there are many young fellows who don't want to work back on the farm; so they get a truck and start trucking stock, and they are in business.

*By Mr. Boulanger:*

Q. Has not the farmer got the feeling when he ships direct to plants that he is evading paying what he considers unnecessary charges and commission?—A. He has that feeling, yes.

Q. Is it justified?—A. I do not think so.

*By Mr. Ilsley:*

Q. Just a question or two about this question of hog differentials; it is not that the packer insists that he gets each man's shipment as a unit, it is not he insists that he gets the whole carload as a unit—is that correct?—A. Yes.

Q. I want to get that straight, because I got the other impression?—A. Yes.

Q. Just a little further on that: the fact that there is a fixed differential rather does away to some extent—in its result it does away—with the necessity for a commission man, does it not? That is the impression I got from one of the witnesses here yesterday or the day before. One price is offered, and that is the price for bacon hogs; and that fixes the price on every animal in the whole car?—A. That is all set.

Q. On the system of the fixed differentials?—A. Set on the bacon price, and then the differentials work both ways from that.

Q. So if you know the price of the bacon hog there is then no particular need for salesmanship on the part of a skilled salesman to sell them—these lower grades?—A. No.

Q. That is correct?—A. You have no opportunity to take them out and sell them and get their value.

Q. So that is the reason, that with this fixed differential they don't go through the stockyards—that is one of the important reasons it goes direct to the packing plants?—A. Yes.

Q. Therefore, the commission men have a very vital financial interest in doing away with the system of the fixed differential?—A. Yes, that is the main point.

*By Mr. Sommerville:*

Q. There is no question that the commission man would be better off if the fixed differential was done away with?—A. We would get an opportunity to trade on the different grades.

*By Mr. Ilsley:*

Q. It would mean that there would be a tremendous volume of business done by the commission men?—A. Yes.

Q. One other thing; you do not sell hogs by auction, as I understand it?—A. We do not sell any stock by auction.

Q. The normal method of selling cattle is by auction?—A. No private bidding; no auction.

Q. There are no auction sales at all?—A. No.

*By Mr. Sommerville:*

Q. But if you had other grades you could sell them either by private bidding or by auction?—A. Sure.

Q. But you say that if they were not using the fixed differentials for the lower grades, you could get better prices for lower grades?—A. Absolutely.

Q. Why?—A. Because they are hogs which are in demand.

Q. For what purposes?—A. For the domestic trade.

Q. And are they used by the packers for the domestic trade?—A. Yes, that is the reason they are so anxious for them.

Q. Does the packer pass on to the domestic trade the differential that is charged?—A. We don't think so.

Q. So you say there is a demand for these lower grades, and you would get more for them?—A. Yes.

*By Mr. Ilsley:*

Q. What was the reason the system of a fixed differential was put into use, nobody seems to say a good word for this practice at all?

The CHAIRMAN: The people who will say the good word have yet to come.

*By Mr. Sommerville:*

Q. When you come to the question of hogs you get your bids from the two packers?—A. Yes.

Q. Largely?—A. Yes.

Q. And how do they vary, when you ask one packer for a bid and then the other?—A. Well, as a usual thing they are pretty close.

Q. When you say pretty close, what do you mean?—A. Well, the same.

Q. And do you know whether or not there is any fixing of bids between them?—A. I could not say that.

Q. What about the fixing of differentials—have you any information upon that score?—A. I think I have, somewhere—it may take just a moment to find it.

Q. On this question of differentials, are they fixed at different times, or at the same time?—A. Well, we get the notices not very far apart—practically at the same time.

*By the Chairman:*

Q. Do they vary very often; I mean, do they change the fixed differential?—A. No.

Q. They rarely change?—A. Very rarely change—we will locate that directly.

*By Mr. Kennedy (Peace River):*

Q. They have changed at various times—?

*By the Chairman:*

Q. Excuse me just a moment, Mr. Kennedy; who gives you notice of that?—A. The packers.

Q. The different packers?—A. Yes, the government department sets the select differential.

*By Mr. Factor:*

Q. You mean, the premium?—A. Then the packers set the differentials.

The CHAIRMAN: Well, that is all there is to that; we know that.

*By Mr. Kennedy (Peace River):*

Q. There have been various changes, have there not, as to what hogs would be regarded as selects, bacons, butchers, and so on?—A. Yes, at one time the differential was set on the thick-smooth. I think you and I sat in on that once before, a number of years ago. They lowered the differential on select hogs at that time and changed the price differential.

Q. Have you ever been able to see the sense of these changes?—A. Well, I have not—I could see the benefit that some people might derive from it.

*By Mr. Sommerville:*

Q. Who might derive a benefit from that?—A. The killer, the processor.

The CHAIRMAN: Well now, gentlemen, I think there are still some questions to be asked of this witness, and we had better have him come back this afternoon. We will adjourn now and come back here again at half-past three.

The committee adjourned at 12.55 p.m. to meet again this day at 3.30 p.m.

The committee resumed at 3.30 p.m.

Mr. A. B. QUINN, recalled.

*By Mr. Sommerville:*

Q. Now, before we adjourned we were dealing with the question of the differentials and you said you could get a better price for the producer if you



could sell your hogs on grade. Do you get just as much commission by selling a car by differential as by grade?—A. Just the same.

Q. Is there a great deal more work selling by grade?—A. Much more work.

Q. Why insist upon selling by grades?—A. Because we have the interest of the producer at heart, and it will bring him back more money. There would be no more money for the commission men, but I know there is more work.

*By Mr. Ilsley:*

Q. It would bring a few more animals to the stockyards, and more business too?—A. Yes. It would not increase our commission on any individual car.

*By Mr. Sommerville:*

Q. This morning you were looking for a couple of letters which you have since handed to me. They are notices relating to the changes of the differentials. You have handed me here, first of all, a notice of September 11, 1929, headed "Government Hog Grading." Is this a notice which was received from the Canada Packers through P. M. Doyle, hog buyer?—A. Yes. If he signed it, that is the one.

Q. And this is the notice changing the grading from thick smooth hogs, dividing that class up into butchers and bacons?—A. Yes, that is right.

Q. And that was the commencement of the division into butchers and bacons rather than thick smooths?—A. Yes.

Q. Then, following that, you have handed me here two notices, one dated January 25, from the Swift Canadian company:—

Gentlemen, the heavy season for the sale of pork products cut from sows has expired, and the future demand will be limited; therefore, effective with loading Saturday, January 27, we will purchase all smooth, well fattened sows, weighing within government weight regulations, at a differential of \$3 per hundredweight under bacon hogs.

Thin and unfinished sows are not desirable for slaughtering and will be valued according to quality on arrival.

Did that change the differential on sows?—A. Yes.

Q. From what price?—A. They were either \$2 or \$2.50.

Q. And this changed it to \$3?—A. Yes.

The CHAIRMAN: What is the date of that?

Mr. SOMMERVILLE: January 25, 1934, from the Swift Canadian Company.

*By Mr. Sommerville:*

Q. And then you have one from the Canada Packers Limited, January 26, 1934:—

DEAR SIR,—Owing to the high price for bacon hogs in the British market, a discount of \$2 per hundred on sows from bacon price has put them at a price where they cannot be sold to the trade at a profit.

Commencing with Saturday loading, January 27, our price on well finished sows will be \$3 per hundredweight under bacon price. Thin sows and stags not wanted, and will be settled for according to market value—  
Yours Truly,

CANADA PACKERS,

A. McLEAN, *Buyer.*

Q. Now, those were the notices?—A. Notices sent out to the Commission firms.

Q. And they were received on the 25th and 26th of January?—A. Yes.

Mr. KENNEDY (Peace River): Did you say there was something from the Department of Agriculture?

Mr. SOMMERVILLE: No, there is nothing from the Department of Agriculture; but there is a notice signed by P. M. Doyle, hog buyer. He is hog buyer for Canada Packers.

WITNESS: Yes.

Mr. SOMMERVILLE: And that is dated September 11, 1929, and that is a notice to the trade that they changed the grade from thick smooths, dividing that grade up into bacons and butchers.

Mr. KENNEDY (Peace River): That is from the Department of Agriculture?

Mr. SOMMERVILLE: No. This was a notice from the packers to become effective Monday, September 16, 1929, fixing the differential on these grades.

WITNESS: Yes. That states it there.

*By Mr. Young:*

Q. Did these notices affect the price if you were selling hogs for yourself?—A. It rearranged the price. It used to be thick smooth was our set price; then we worked differentials from that.

Q. When they widened the spread between the bacon hog and the lower grades, did not that affect the price you paid?—A. Yes, they would take a butcher hog then or a bacon hog and get a reduction.

Q. Didn't you tell us this morning that you fixed your prices quite independently of the packers?—A. No.

The CHAIRMAN: I am afraid you and the witness are confusing two points. The differential is what is dealt with in this correspondence, that is, the classification and the reduction from the standard bacon price to these others, which is increased in these notices on sows from \$2 to \$3; but this morning the witness in his answer had regard to general factors that entered into the fixing of price, which, I think, is a different point. If you wish to pursue it, do so.

*By Mr. Sommerville:*

Q. I want to bring this point up; by changing this grade of thick smooths by dividing it up into bacons and butchers, did that reduce the price on some of the hogs?—A. Up to that time it was—

Q. —Included in thick smooths?—A. It reduced the price of butchers which were necessarily in thick smooths; it took \$1 per hog off that class.

Q. That is to say it took \$1 per hog off that class which was formerly thick smooths?—A. Yes.

Q. And also, inasmuch as thick smooths were basic hogs it left bacons as the basic hog and butchers as being sold at a reduction or a cut.

*By Mr. Young:*

Q. In this matter you were entirely in the hands of the packers?—A. Yes. They set the differentials.

Q. They do control the price then.

Mr. SOMMERVILLE: On all the cuts.

The CHAIRMAN: They control the differential.

Mr. YOUNG: Yes; and I think we had some evidence that they control the other prices too.

The WITNESS: They try to.

The CHAIRMAN: But I think the point the witness is making is that they control the differential, and in rearranging this differential there was a loss on a certain proportion of a class that previously had been a higher class.

Mr. ILSLEY: Are these animals called thick smooths the hogs that were basic hogs before 1929?

The WITNESS: Yes.

Mr. ILSLEY: They were not bacons at all?

The WITNESS: No. They were the same hog, but they were named differently, and they have a certain class.

*By the Chairman:*

Q. There is only one point before you leave that. Having in mind these notices, is this correct; that the packers still persist in buying the carload of all grades?—A. Absolutely.

Q. At a fixed differential?—A. Yes, at a fixed differential.

Q. That is the point, I think, in all this that appeals to me.

*By Mr. Sommerville:*

Q. You have not an opportunity to bargain on the lower grades?—A. No opportunity whatever.

Witness discharged.

Mr. FACTOR: I would like to ask, before you call the next witness, this question: we are spending a lot of time on the matter of marketing live stock products. Now, the government has introduced the marketing bill, making some provision. I wanted to know if that is anticipating the findings of this committee, or what object are we serving in getting all this evidence now?

The CHAIRMAN: Well, I could not answer that question, of course in any positive way. I could not say that the introduction of the bill was in the terms you say—in anticipation of the findings of this committee; but I do apprehend this, that the committee, I assume, from the evidence we have received, might be justified in its recommendations in pointing out how the proposed marketing board, if it were to pass parliament, might be used in connection with the solution of some of these problems. That is a matter for us to consider.

Mr. FACTOR: The marketing bill provides a scheme for bringing into operation the marketing of certain live stock. No matter what we propose, if it is going to be contrary to the legislation that is introduced we are at cross-purposes here.

The CHAIRMAN: Not necessarily. Suppose we wait until we get to the point where we are making a finding. You handicap me in this way, Mr. Factor. I am not in a position at the moment, as the chairman of this committee, to intimate what the finding of this committee may be. I have ideas; you have ideas. Later we will sit down and thrash them out, and we will make a finding; but I do not want to be put in the position where I now assume a finding.

Mr. FACTOR: I am not trying to put you in any position.

The CHAIRMAN: I know; but that is what I virtually would do were I to add my own views in answer to your question.

Mr. FACTOR: Assuming that we find a certain finding which will be contrary to legislation which is now being introduced in parliament, where are we at?

The CHAIRMAN: We cannot assume that until we come to a point where we are making a finding. That is my point. As a matter of fact, I should think that, possibly, some of our findings would be in harmony with the powers that are set forth in that bill.

Mr. FACTOR: Would it not be advisable to withhold that marketing bill until we have an opportunity of bringing in a recommendation on the very subject that the marketing bill covers?



The CHAIRMAN: That is a fair question. I think we should take time to consider that. I would like to give an answer. I think it is perfectly proper to bring that up. I will take this opportunity of suggesting that we have an executive session next Monday afternoon if that is agreeable to the committee. The clerk will notify you of the time, and we will discuss all these matters.

ROSS CHAPMAN, called.

*By Mr. Sommerville:*

Q. You are a member of the firm of Dunn & Levack, and they are commission agents on the Live Stock Exchange at Toronto?—A. Yes.

Q. And you have been a member of that firm for a number of years?—A. Yes.

Q. And you have been on that market for a number of years?—A. Yes, twenty years.

Q. And as such you are familiar with the practices of marketing live stock upon that market?—A. Yes, sir.

Q. And you have seen the changes that have taken place in the last number of years?—A. Yes, sir.

Q. What do you say, Mr. Chaplin, as to the effect of trucking on the market?—A. Following the reference that has already been made in this respect, we can only come to the conclusion that there should be some regulation protecting the producer in the returns of the sale of his live stock. I have some examples of statements which I would like to pass around, which will give the committee some idea of just what I mean by that.

*By the Chairman:*

Q. Before you go on. Have you a copy for each member?—A. Yes, I have certain copies here. On the corner of each one is noted some of the particulars setting out just what these statements mean.

Q. Now, then, since we have these, you can elucidate them?—A. You will notice some of the details on the corners, setting up the direct benefits of the 5-pound beam which was mentioned this morning, on our sheep scale, in the case of lambs and calves, and also some of the other details.

Q. Is this an actual statement before us?—A. Yes, sir. These are simply statements to give you a picture of the selling of our live stock, the number of buyers in certain instances—in one case there were ten animals arrived and eight different buyers in one truck load. The same is true in the case of hogs. Instead of one load of hogs being sold and one buyer, we have some leverage on our market by selling truck hogs and sorting them according to grade. Some shop hogs are sold to some smaller buyers, in certain instances, as you will notice by these statements, with the result that we are able to secure more money for them because truck hogs are weighed immediately after they arrive at the market, and are graded at the same time.

*By Mr. Sommerville:*

Q. When you have had an opportunity of grading the truck hogs that come to you as commission men and sell them out to various buyers, do you get a better price for the grades than when you sell to the packing plants?—A. Yes, sir; that is it.

Q. Take, for instance, this case of the truck shipment from Streetsville, March 26, what is the significance of the statement here?—A. Sixteen hogs arrived by truck, three different buyers, six hogs were sold for only a 50 cent cut instead of a dollar cut which the abattoir would have taken off those hogs, which is a net gain in that case of \$3.

Q. Yes?—A. That is what that one means.

*By Mr. Young:*

Q. What was the grade of those hogs? Why was the dollar cut off? You say you took a 50 cent cut?—A. Yes, they were classed as light hogs—what we call shop hogs.

Q. Was the differential carried from there? You say you took off 50 cents, and the packing house would have taken off \$1. Is that a variation in the differential? Are you departing from it in that case?

*By Mr. Sommerville:*

Q. You were not selling to the packing plant?—A. We were selling hogs for all we could get. This small butcher said, "I will buy these hogs with only a 50 cent cut instead of \$1 cut."

Q. And the differential provided for a dollar cut?—A. The differential provided for a dollar cut if it was sold to the abattoir, but not sold to whom we might sell otherwise.

Q. Selling outside you have to waive the 50 cent cut.

*By the Chairman:*

Q. This is by way of illustration, or in support of the contention, that it is to the advantage of the producer if you sell the grade separately instead of en bloc or in lots?—A. Yes.

*By Mr. Sommerville:*

Q. What is the significance of this truck load from Priceville?—A. This statement shows the arrival of 29 sheep and lambs and 10 calves. In that load there were 13 sales made. There were eight owners, and nine cheques issued. There was a gain of 35 pounds on the load because of the 5-pound beam on our sheep and hog scale. In the case of the lambs that really meant, at 6 cents a pound, 30 cents a lamb.

Q. How did that compare with the commission you would get for selling lambs?—A. We received 20 cents for selling them.

Q. So that the gain on the 5-pound beam would more than pay for the commission on selling the lambs?—A. Not in the whole load, sir. It was just to point out that was a gain on the shipment, as a rule, and helped to reduce expenses in reality.

Q. The gain was 30 cents a lamb. What is the significance of that?—A. I should like you to ask me about that?

Q. What is the significance of the statement of the shipment that you now hand me—a truck shipment of 17 calves from InnisSKIP, February 7, 1934; what is the significance of that one?—A. Now, this shipment, gentlemen, shows the disposal of 17 calves, which is quite a common sample of our work. In the first case, the trucker tags every calf as he receives it from the farmer. I suppose you will notice the tag numbers on each calf and the name of the owner beside that.

*By Mr. Young:*

Q. This is a professional trucker?—A. A regular transportation of live stock.

Q. And that is their practice—to tag each animal?—A. Yes, sir. A good many of them coming to market do that, which we feel should be embodied in the price bill of lading if that can be brought into legislation. It so happens that this is one of the first class truckers. He does his business in a very efficient way.

*By the Chairman:*

Q. But all truckers do not do that; is that the point?—A. No, sir; all truckers do not tag them in just the same way this gentleman does, and a great many do. It is a very simple matter for our yard staff and salesmen to find these calves. They are not interested in the tag number—only in selling them. They are selling them and sorting them on their merits. You notice these calves are sold at different prices, and when they enter the scale, they are sold, grade, ticket number—these are the scale tickets showing the weight of each animal along with the ticket number of the calf. You will see on certain tickets where there is a difference in price as they have passed over the scale. When these records are computed it is our duty to issue a separate statement from this mass statement to each owner. This is quite a complete account, showing just what our service is, and which is mailed direct to him—not passing into the hands of the trucker. A further feature of this account is the fact that they were 17 separate drafts in sorting and selling.

*By Mr. Sommerville:*

Q. You mean weights?—A. Yes, sir—upon which the 5-pound beam meant an extra 5·11, which could not possibly exist over a 10-pound beam scale. There were 11 different owners in the account.

Q. And your commission on that was \$4.25?—A. That is it, sir.

Q. Which is more than taken up by the difference in the 5-pound beam?

*By Mr. Young:*

Q. There is quite a little work for you in making out separate accounts. Is that service rendered by the packing houses when the farmers ship there?—A. My knowledge of the packing houses, sir, is that they will scale them separately, but so far as I know they do not pay the farmers separately; that the trucker will receive these weigh slips and take them to a nearby bank which computes the extension, and no doubt, for which the packing house pays them for that service. The trucker takes all the money.

Q. In cash?—A. In cash, and pays it to him.

Q. And he gets a statement from the bank, does he, of how much is coming to each man?—A. He will get a copy of each draft, possibly, or he may get them all shown on one statement.

Q. The farmer does not get a statement; each individual farmer does not get a statement when he ships direct to the packing houses, as he does when he ships to the yard?—A. Not that I know. They are made out to the trucker.

*By Mr. Sommerville:*

Q. It may be that the trucker does not give any statement to the farmer: just the cash?—A. Quite so, sir.

Q. In a number of instances, is not that the fact, you know?—A. Yes, sir; it is.

Q. How do you find that out?—A. More or less through some of the contacts we have made from farmers complaining about not having received returns from us where we found that the animals have been sold elsewhere.

Q. That is, animals have been given to the trucker to bring to the yards to you, and they have been sold elsewhere? When you say sold elsewhere, what do you mean?—A. Well, the packing house.

*By Mr. Young:*

Q. You say this is a professional trucker; that in one of those cases he was a professional trucker who tagged all the stuff and brought the load to you?—A.



He is an example of a good many truckers on the market that are trying to do business as transporters of live stock and nothing else. He does not enter into the selling of the animals at all. He simply delivers them at our handling dock. We take care of them from there. All we are interested in is to have the markings of these calves, cattle or any other class of stock, and we sell them for all we can, and the money is turned over to the producer.

Q. Now, does this trucker make a practice of going to the yard?—A. Yes. I would say in this case—he is only an example of a great many—that he always comes to the market. I have never known him to go elsewhere.

Q. Could he not make better time and take two loads a day instead of one by going over to the packing plant?—A. No, sir; he could not; because I believe he could make quicker time bringing them to the market.

Q. Why do you think he could?—A. Because of the fact that all he has to do is take his truck into the market. Our men are there to take delivery of the animals. If they are cattle, they are sent to the cattle sales pens; if they are hogs they are sent to the hog scale, if they are sheep, calves or lambs they are driven to the sheep house. We have to provide men to unload a truck, and as soon as the trucker arrives at the dock he is quite free to go along as soon as the unloading of his truck is completed. All that is necessary for him to do is to hand us a bill of lading. It bears the farmer's name, his address, and the markings of his animals. We follow it out from that and see that he collects his trucking. We usually do that the same as in the case of freight.

Q. This is quite different evidence from what we have been getting. We have been getting evidence from others that the trucker wants to get his money and go back and get a second load by going direct to the plant; you say that is not the case?—A. I would say so, sir.

*By Mr. Sommerville:*

Q. Why does he go to the plant, Mr. Chaplin, instead of to the stockyards? Why, for instance, does he go to the Don receiving station of the Davies company instead of to the stockyards?—A. Well, in that case, he could handle it—this gentleman is referring to speed on his part. If he is coming from the east end of the city, naturally there would be a saving of time in that case; but if he is coming from west Toronto there would be no saving of time because our service takes care of shipments even quicker than it might be done at the plant; but it is quite a common practice of truckers to lie around the market until the animals are sold. It is quite unnecessary.

Q. They do stay around and wait until the animals are sold, and they do take back the money?—A. Many times they bring the farmers along with them. They like to see the animals sold, and that causes delay.

Q. You say the farmers coming with them remain on the market until the animals are sold, and that causes delay?—A. Many times it takes from one to three hours.

*By Mr. Kennedy (Winnipeg):*

Q. Have you in any case paid the truckers?—A. Yes sir.

Q. Do you pay the farmers' money to the truckers?—A. Yes, because of the fact that we are relying on him for information at the moment.

Q. I gathered that you got the names of the owners of the stock and made out your cheques and returns direct to the farmer. You don't do that?—A. Yes, sir; we do.

Q. You do both?—A. We do both. Whether they come on a bill of lading at the moment or not, we rely on the trucker for the information. Sometimes he will take a number of statements and take the cheque for the whole thing.

*By Mr. Young:*

Q. Do you ever give the trucker any consideration for coming to you?—A. None whatever, sir. We could not afford to do it.

Q. We are told that some of the packing houses will give them a small consideration. You do not do that?—A. None whatever.

*By Mr. Sommerville:*

Q. Do you know of the encouragement to the trucker by the packing house through the payment of bonuses, Mr. Chaplin?—A. I could not say definitely about our local packers, but I do know that there is some arrangement that exists at one or two of the Hamilton plants. That is the only definite payment that I know of.

Q. What is the amount of bonus paid at Hamilton?—A. 20 cents a head. It works out to about 10 cents a hundred.

Q. 10 cents a hundred?—A. Yes.

Q. Have you seen the statement showing the payment of this bonus?—A. Yes.

The CHAIRMAN: That is paid to the trucker?

*By Mr. Sommerville:*

Q. That is paid to the trucker?—A. Yes, that goes to the trucker at the end of the month, as an encouragement to him to bring these hogs to their plant.

Q. While you are dealing with that question of the trucker, I observe in the statement you gentlemen produced here to-day there is some reference to bills of lading for truck shipments. Will you explain just what you are referring to there?

Mr. FACTOR: I think that is a very important recommendation.

Mr. SOMMERVILLE: Yes. Will you read that?

Mr. KENNEDY: Before he goes on, with regard to the last point made by the witness, of packers paying bonuses to truckers, it seems to me that that is tremendously important, and a vicious principle, if true.

Mr. SOMMERVILLE: We have had evidence of it.

*By Mr. Kennedy (Winnipeg):*

Q. Is that practice widespread?—A. I know of it in one case. That is all I can speak of in a definite way. I will be glad to give further information on that case, if the committee so desire.

Mr. SOMMERVILLE: That is the only one he knows of.

Mr. KENNEDY (Winnipeg): You have the agent of the producer being paid by the other party.

Mr. SOMMERVILLE: We had evidence yesterday from one witness, on this particular packing plant; the packer's buyer said they paid him 10 cents a hundred to look out for their interests.

Mr. YOUNG: That was to take care that the animals were not bruised in shipment.

Mr. SOMMERVILLE: And to see that they were not filled up with feed before they left the farm.

Mr. KENNEDY (Winnipeg): It is a very strong incentive for the trucker to get stock.

The WITNESS: I might say that, of course, the trucker has already collected his trucking fee, and this comes to him as a bonus. It did have, and has had a very definite effect in diverting hogs in the Hamilton area.

*By Mr. Ilsley:*

Q. Is there any secrecy about it?—A. I don't know that there is.

Q. If there is not any secrecy about it, I would say there is no impropriety in it; if the shippers know that the man that they are entrusting their hogs to is being paid by the packer so much a hog, they take their chance?—A. Upon that aspect, I would doubt whether the producer knows about it. But as far as our trade connection is concerned, we have heard of it many times.

*By Mr. Sommerville:*

Q. In the trade, you have heard of it?—A. Yes.

Q. But you don't know whether the shipper of cattle or of hogs would know of any such practice?—A. The producer does not know about it, generally speaking.

*By Mr. Factor:*

Q. Don't you tell him that that thing is being done, to get him a little interested?—A. We don't get a chance to do it, from that area.

*By Mr. Sommerville:*

Q. You don't see him?—A. Because he goes to Hamilton.

*By Mr. Young:*

Q. There is no yard in Hamilton, is there?—A. There are two packing houses.

Q. But there is no stockyard there?—A. No, only private markets or an abattoir, receiving areas.

*By Mr. Sommerville:*

Q. Now, dealing with the question of this bill of lading, what have you to say to that?—A. Well, this explains itself very nicely.

The CHAIRMAN: Read it.

The WITNESS: The importance of a bill of lading covering the producer's shipment of live stock cannot be too greatly emphasized.

*By the Chairman:*

Q. That is by truck that you are talking of?—A. Yes, by truck.

Prior to the advent of the truck, when live stock was generally moved by rail, the shipper's interests were protected by a bill of lading—that is referring more or less to movement by carload. More recently, however, with a great part of live stock shipping being effected by truck, the farmer has to depend in many cases on the integrity of the trucker, which too often has resulted in dispute, with the farmer sustaining a serious loss.

It is not an uncommon experience to have a producer call at the office of a commission house, requesting payment for his live stock, which he had fully expected had been sold by the commission firm, to find that it had been disposed of by the trucker, and that he had not as yet made returns to the owner.

*By Mr. Factor:*

Q. You mean shippers to the packing plant by truck, is that what you mean?—A. Yes, generally speaking.

At the moment there is known to be hundreds of dollars owing to farmers from truckers, which has not as yet been turned over to them.

MR. FACTOR: That is very serious.



*By Mr. Kennedy (Peace River):*

Q. Is some of that in arrears for any length of time?—A. Yes; some of them the farmers have not got for the last two years.

Q. Two years?—A. Yes. I might say that the Department of Agriculture in Ontario have statistics to show that the thing I show here is absolutely correct. They have already investigated it.

*By Mr. Factor:*

Q. You mean dishonest truckers?—A. Yes.

Q. They have omitted to pay the farmer for his stuff?—A. Simply a matter of trust between the farmer and the trucker, as it stands to-day. Even though it makes more work for us and more responsibility on our part, we are anxious to see that the producers do not have any opportunity of losing a dollar on their stock. Through the medium of the present system, it is wide open.

Q. Are these truckers licensed, I mean by the provincial authority?—A. Yes, they are licensed carriers.

Q. Is there no provision made for cancellation of the licence?—A. They endeavoured to do that, through a bill of lading, in the provincial house in Ontario, but it was only in force for a very short time. For some reason unknown it was immediately eased off, and it did not function the way we had hoped it would.

*By Mr. Ilsley:*

Q. How would the bill of lading correct the abuse you have mentioned, that is, the trucker keeping the money?—A. Well, if we knew that shipments arriving there belonged to certain farmers, and that the contents of his truck were composed of that class of shipment, we would not make the returns to him. We would want to know to whom they belonged, and to whom we should send the money.

Q. The trucker would not get the money at all?—A. No.

*By Mr. Factor:*

Q. You mean you would send it direct to the producer?—A. Yes, to the farmer.

*By Mr. Sommerville:*

Q. That is the object of the bill of lading?—A. Yes.

Q. But certain interests apparently succeeded in having it stayed?—A. Yes.

Q. And it was not the agents, the commission men?—A. No, sir. We are quite anxious about it.

Mr. FACTOR: They have had what stayed, the legislation?

Mr. SOMMERVILLE: No, the operation of the bill of lading.

Mr. ILSLEY: The law is disregarded, is it?

Mr. YOUNG: Or is it a practice that has grown up?

Mr. SOMMERVILLE: No, the law was passed in the province of Ontario requiring it.

*By Mr. Sommerville:*

Q. Is that not a fact?—A. Correct.

Q. And it was put into operation for a time, and truckers were required to have bills of lading when delivering their stock either at the packing plant or at the stockyards?—A. Yes.

Q. And then for some reason, some pressure was applied, or some reason was given for the withholding of the enforcement of the provision?—A. Yes.

Mr. YOUNG: Was the law repealed?

Mr. SOMMERVILLE: No.

*By Mr. Young:*

Q. If the law is there, how can you withhold enforcement, if the farmer asks for a bill of lading?—A. They have done it for some reason unknown.

*By Mr. Kennedy (Peace River):*

Q. What session was this law passed at?—A. It would be some two years ago, I believe.

*By Mr. Factor:*

Q. In the Ontario legislature?—A. Yes.

Q. And there is a law now on the statute books?—A. I believe so. The Ontario Marketing Board are quite anxious about it, and I understand are endeavouring to press the Department of Highways to enforce that law.

Q. That is a very serious allegation. I cannot understand it. There is a law, and it is not being enforced by the authorities; is that your contention?—A. Yes.

Q. Under pressure by someone?—A. Yes. We believe it should be a Dominion law, if it is passed.

*By Mr. Young:*

Q. Have you any case where a man has asked for a bill of lading and has been refused?—A. The farmers are not acquainted with the fact that they should be getting a bill of lading or receipt for their goods.

Mr. ILSLEY: Perhaps that is all the law is, that he is to be given it if he asks for it.

The WITNESS: They have not enforced it.

Mr. ILSLEY: It is a mysterious law.

Mr. FACTOR: Where is that statute, Mr. Sommerville? Do you know.

Mr. SOMMERVILLE: I understand it is in the Ontario statutes.

The CHAIRMAN: Gentlemen, we are getting into another vague discussion around here.

Mr. FACTOR: No, I think we are getting into some practical politics.

The CHAIRMAN: No, no, excuse me. I have no reference to anything from a political standpoint at all. What I was going to say was this: We are talking about a statute. Apparently no one knows just what this statute is. The witness told us that he understands that there is a statute. We will make an effort to get a copy of that statute, and go into this matter.

Mr. FACTOR: It could be got in five minutes.

The CHAIRMAN: He thinks it is in 1932. See if you can get that, Mr. Parry. We will get the statute and we will know what we are talking about.

*By the Chairman:*

Q. So far as your opinion is concerned, the statute is not now effective, or rather it is not now being enforced?—A. It is not not being enforced.

Q. That is your statement?—A. That is quite absolute.

*By Mr. Sommerville:*

Q. I see here that you say, "One farmer writes . . . ." Will you continue?—A. Yes.

One farmer writes: I guess we will have to abide by it (meaning the trucker's decision), for you know when they take your stock down, you are at their mercy. But if he goes to the yard, which I would like him to, they will go to your care.

There is a letter that came to hand in that respect.

Recently another farmer writes objecting to the sale of his calf—

I bring these in simply because they are recent happenings. While there are a great many of them, this is quite recent.

—for which he was paid 230 pounds at 7 cents, less marketing and trucking expenses. This sale had been made at 8½ cents, making a difference due the producer of \$3.45.

I submit, sir, showing our original account of sale for the payment of that calf to the trucker. At that time we did not know the owner's name. That sets the sale out,—giving him a cheque for \$19.20, from which he should have only deducted his trucking expenses and handed the farmer the balance. Here is a corner of the original statement made out by the trucker, showing the sale of that calf for 230 pounds at 7 cents, less yardage, he says,—yardage, 10 cents; commission 25 cents; trucking 50 cents. He gives him a cheque for \$15.25, or the cash in some way. That is only a very small instance of some of the larger ones that have come to our notice.

*By Mr. Young:*

Q. It is a case of straight dishonesty?—A. Yes.

Q. Well, not straight dishonesty—

*By Mr. Boulanger:*

Q. Plain stealing?—A. Yes.

(Letter and statement filed, and marked Exhibit No. 98).

*By Mr. Sommerville:*

Q. Will you proceed, Mr. Chaplin?—A. All that seems necessary is to bring forth definite legislation requiring that every trucker transporting live stock for hire furnish a bill of lading to the shipper.

Mr. FACTOR: There is provincial legislation now.

Mr. KENNEDY (Winnipeg): He is not sure.

*By Mr. Young:*

Q. Along with this bill of lading you want an ear tag on each animal, do you?—A. Our concern now is that we are dealing with the federal department.

*By Mr. Sommerville:*

Q. You want Dominion legislation?—A. It exists now provincially; we think it should be federal, just the same as the bill of lading for a carload of stuff is Dominion-wide.

*By the Chairman:*

Q. Really, your point is that the same safeguards that are applied now under the Live Stock Act to commission merchants, live stock exchanges and live stock yards should be applied to the trucker that carries the goods to either the packing house or the yard?—A. Correct. That set sit out pretty well there.

*By Mr. Sommerville:*

Q. Now, Mr. Chaplin, can you give us the benefit of your experience on the question of the shipment of live stock to the packing plant, as against the



stockyards, the question of the abuses and the benefits and advantages, if any, that come from shipment to the stockyards?—A. Yes, I will do that as quickly as possible. There are a couple of copies of this. I bring in some very recent cases.

On Friday evening, March 31, 1934, 407 lambs arrived in two stock cars from Alberta. There was no market for them on Saturday. They were carefully yarded in some good comfortable sales pens, where they rested and fed over Sunday, and were sold on Monday, April 2, last.

The following will give one some idea as to how this works out in the sale weights of the animals as against the off-car weights on arrival, showing the cost of feeding almost three days. There is an improvement in weight from the off-car weights to the fed and watered weights of 2,415 pounds, which amounts to 6 pounds each. The gain in money, multiplying that by the selling price of  $8\frac{1}{2}$  cents per pound, amounted to \$205.27, or 50 cents each.

*By Mr. Young:*

Q. You said there was no market for these lambs when they arrived?—A. There was no market on Saturday.

Q. If there had been a market, you would have sold them then?—A. Yes.

Q. And would they have been fed and watered just the same?—A. Yes, and their gain would be almost identical, in our experience, even though we have had to spend more money to feed them over Sunday. It is just unfortunate that they arrived at that time.

Q. Is it a fact that the packers will pay just as much per pound for animals fed and watered as they will for the same animals before they are fed and watered?—A. Yes, I would say so, in reply to that question, and I would refer further in a moment to a direct example of just how that works out.

Mr. KENNEDY (Winnipeg): We had evidence to the contrary, that there was a differential in the price as between off-car stuff and fed and watered stuff.

Mr. SOMMERVILLE: That is on hogs. We are dealing now with sheep and lambs.

*By Mr. Sommerville:*

Q. Will you complete your analysis there, Mr. Chaplin? Your gain in money was what?—A. \$205.27, on account of the gain in weights. To feed 407 lambs for three days it cost \$74.49, or 18 cents each, dropping the net gain in money to \$130.78, or 32 cents each. Had these lambs been sold elsewhere on off-car weights the prices would have had to be much higher. It works out to over 9 cents per pound.

Now, I would like to bring in this example at the moment, showing what effect the selling of lambs on off-car weights would have in the cost of a shipment on October 25 last. I have a letter from the Canada Packers to a drover, offering " $6\frac{1}{4}$  cents for good ewes and wethers, on all lambs weighing up to 100 pounds. Over this weight we can only pay  $5\frac{1}{4}$  cents. On culls we will pay  $4\frac{3}{4}$  cents and on bucks  $4\frac{1}{4}$  cents. The above prices are weighed off cars our siding." As I showed you gentlemen, in this case it would have had to be over 9 cents. Now at that time lambs were selling on our market at  $6\frac{1}{2}$  cents, fed and watered.

Q. And this was the offer from the Canada Packers for a shipment direct, off-car weight, at  $6\frac{1}{4}$  cents?—A. Correct.

Q. Instead of  $6\frac{1}{2}$  cents, fed and watered as on your market that day?—A. Yes.

Mr. YOUNG: One was October, the other was March.

Mr. SOMMERVILLE: No.

The WITNESS: They are both March that I am dealing with now.

*By Mr. Sommerville:*

Q. Perhaps you will let me have the original letter?—A. Yes, I have the original here.

Mr. SOMMERVILLE: This original letter is dated October 25, 1933, addressed to these drovers, in which they say:—

DEAR SIRs,—We have for acknowledgment your letter of October 14, in which you state you have a carload of lambs, ewes and wethers, weighing 80 to 100 pounds, which you want us to handle.

We would be glad to handle this carload of lambs for you. We will pay you full market price which is  $6\frac{1}{4}$  cents for good ewes and wethers, on all lambs weighing up to 100 pounds. Over this weight we can only pay  $5\frac{1}{4}$  cents. On culls we will pay  $4\frac{3}{4}$  cents and on bucks  $4\frac{1}{4}$  cents. The above prices are weighed off cars our siding.

We can assure you that we will treat you right on the sort, and the prices quoted you above give you a much better return than if you send them to the market, because you save yarding and market fee.

This is one of the ways they encourage direct shipment.

We would be very much obliged to you if you would advise us whether or not you are shipping, so that we can make arrangements to handle them immediately the car is placed on our siding.

Yours truly,

CANADA PACKERS LIMITED,

J. H. DAVIS,

*Manager, Small Stock Dept.*

*By Mr. Sommerville:*

Q. On that day, October 25, what was the price at which good ewes and wethers were selling on the market?—A.  $6\frac{1}{2}$  cents, fed and watered.

*By the Chairman:*

Q. Have you got that worked out?—A. Yes.

Q. You might put it on record, how that would be worked out on a stock-yard basis, a live stock basis.

*By Mr. Factor:*

Q. To be in the report?—A. Yes, I have it here.

*By the Chairman:*

Q. Just give us that?—A. Presuming that a 100-pound lamb in the country may shrink 10 pounds from the time of loading until the time it arrives in the plant, on which basis they were quoting, the lambs would weigh 90 pounds. A fair gain after being fed and watered on our market would be from 5 to 7 pounds, but I have only taken 5 pounds gain as a basis in working it out. It would mean a difference on the ordinary carload of lambs, we will say, of 90 head, of 33 cents a lamb, which would be \$29.70 a carload, or on 100 head it would be \$33, at 33 cents a lamb. That is, they would gain that much by having them put on the market and sold at that time.

*By Mr. Factor:*

Q. That is included in the difference of the half a cent price?—A. Quarter of a cent; 5 pounds gain, and after taking off the marketing expenses, there would be 33 cents gain on each lamb.

*By the Chairman:*

Q. That is net gain?—A. Yes, net gain.

*By Mr. Sommerville:*

Q. After deducting all marketing expenses?—A. Yes.

*By Mr. Young:*

Q. You are paying, or you can get on the market  $6\frac{1}{2}$  cents for those lambs; to whom will you sell them for that price?—A. We will sell them to the best bidder.

Q. Will you sell them to that same packer?—A. If he is bidding more than the other packers, he will get them by all means.

Q. What I mean is, would he go in and buy those lambs, despite the fact that he has offered  $6\frac{1}{4}$  cents for the same lambs by mail?—A. That was our market that day,  $6\frac{1}{2}$  cents.

*By Mr. Sommerville:*

Q. Whoever bought lambs that day paid  $6\frac{1}{2}$  cents?—A. Yes. Good lambs, the kind he is quoting on, sold at  $6\frac{1}{2}$  cents at that time.

*By Mr. Young:*

Q. Something was said here yesterday about a guaranteed price, and whatever more the market would bring. Was this  $6\frac{1}{4}$  cents a guaranteed price plus what the market would bring, or was that the ultimate price?—A. They didn't say so in the letter.

Q. Do you get a guaranteed price every Monday morning, or every so often?

MR. SOMMERVILLE: The guaranteed price only applies to hogs.

*By Mr. Young:*

Q. It does not apply to anything else?—A. No.

*By the Chairman:*

Q. This was a specific offer?—A. Yes.

Q. For a specific shipment?—A. Yes. We want you to see what it means for the producer to get a market for his goods on the market at a fed and watered basis, whether it comes by truck or by cars.

*By Mr. Kennedy (Winnipeg):*

Q. In the figure you have given, is the expense of feed and water included?—A. Yes, I have taken 22 cents a head off for that.

*By Mr. Young:*

Q. We are forced to this conclusion then, that the packer will pay you a quarter of a cent more per pound for animals fed and watered than he will pay the farmer, if he ships direct to him, for the same animals not fed and watered?—A. It simply shows the value of competition on the market, that we press hard to get as much as we can, whereas he is bidding for as little as he can get them for. It is a plain case of buying live stock or anything else just as cheap as you can, and that is what they are doing.

*By Mr. Ilsley:*

Q. I am rather interested in his letter. Did you ever receive any letters like this where he is making a definite statement that he is offering the producers



more than they can get if they put them through the market?—A. I cannot say that we have, simply because these things do not come to our notice as a general rule; but we know they are very keen on getting their supplies direct, if they can. This is quite a definite case. That sets it out.

Q. Yes. I notice that he says, "give you a much better return than if you send them to the market."

Mr. SOMMERVILLE: Yes, "because you save yarding and market fee."

*By Mr. Young:*

Q. He wrote a letter on October 25. Suppose the man had accepted his offer. How long would it be before the ewes or sheep were delivered at the packing house?—A. It might be a day.

Q. Only one day?—A. Yes. It is near Toronto, about 125 miles away.

*By Mr. Sommerville:*

Q. And could be trucked in quickly?—A. Would likely come in by carload.

Q. Yes, they referred to carload?—A. By rail.

*By Mr. Young:*

Q. There is no time limit set on the offer, is there?—A. No.

Mr. YOUNG: He does not say how long it is good for.

*By Mr. Sommerville:*

Q. The point is, he is quoting to this market?—A. That is what they could pay at that time.

Q. What is the next example you have?—A. I want to show you this case. On Monday last a shipment of 23 cattle arrived from Mount Forest, Ontario, and were sold the day following, Tuesday, April 11, after having rested and fed during the night. The following will give one some idea as to how this shipment worked out, similar to the one I already quoted. There was a gain in weight on these 23 cattle—which, by the way, gentlemen, is very moderate—of 690 pounds. As a matter of fact, after having tested the off-car weights as against the fed and watered weights of cattle, the railway company has seen fit to allow us 1,000 pounds for an allowance in gain of weights from off-car weights to fed and watered.

Q. For 20 cattle?—A. For 20 cattle or over, or 50 pounds a head. I am only showing you an example where these cattle gained 30 pounds a head on what we call an overnight rest. The gain in money on the 690 pounds, at the average selling price of \$4.88 per hundred, amounted to \$33.67, or \$1.46 each. The cost feeding the cattle overnight, 270 pounds of hay at \$1.30 per hundred, was \$3.51, or 15 cents each. The net gain in money was \$30.16 or \$1.31 each.

Q. After paying the feed cost?—A. Yes; showing that the gain was made a great deal in the drinking of water and so on, whatever feed they got.

*By Mr. Young:*

Q. Would you think it a good plan if the packing plants were required also to feed and water before they weighed them up, the same as they do at the yard?—A. Yes, sir; I would say so, in fairness to the producer.

Q. And everybody would be on the same footing?—A. Yes. That would put us on the same footing in that respect; there would not be any anomaly in the selling price, and it is very important in setting the price of hogs. On truck shipments many times—we have noticed that truck shipments are weighed in the morning, but no price until the market is settled; usually we don't settle the price on our truck hogs until after dinner, and sometimes they do not pay for these hogs or set their prices until the market really sets it for them.

Mr. YOUNG: You say they are weighed in the morning; are they weighed before they are fed and watered?

*By Mr. Sommerville:*

Q. This is not a question of feeding and watering—you are referring to another matter, are you not?—A. Yes, sir.

Q. These trucks deliver their hogs to the plants and they are weighed in; that is what you mean by weighing in?—A. Yes.

Q. The hogs are weighed in, but the price is not set until after your market price is fixed for the day?—A. That is it, sir.

Q. And then when your market price is fixed, these truck hog prices are fixed by the plant?—A. That is it, sir.

Q. And fixed in such a manner?—A. To show just enough below to be able to say to the owner that you had saved marketing expense.

Q. And the market prices are fixed by whom?—A. The commission men, sir.

Q. And who are the buyers of the bulk of the hogs?—A. There may be four or five buyers for these truck hogs; there may be ten buyers at some time.

Q. Yes, but are the majority of the hogs that fix the price on the market not bought by the same packers who are waiting until the market settles before settling for their truck hogs?—A. They are, usually.

Q. So that one price is reflected in the other?—A. Yes.

*By Mr. Young:*

Q. When these truck hogs are weighed in the morning and not priced until the afternoon, is that by mutual agreement between the seller and the packer-buyer; or does the packer simply say, I will weigh this now and tell you what they are worth this afternoon?—A. Our knowledge is to this effect, that we have trucks come over to the market who have already delivered their hogs into the plants, and they show us their statement for so many hogs delivered in the plant, but there is no price on them yet. The packer did not know what price to pay him; he has to wait until the market is settled—he might underpay him, or he might overpay him otherwise.

Q. Do you mean that the packer is not buying hogs at that time?—A. He won't price them at that time, until the market is settled.

Q. I know, but take the case of a farmer selling his wheat; the farmer would take in his load of wheat, the buyer will say the price at present is so much, we will get the new prices at noon; if you like I will weigh the wheat in now and give you the price that comes over the wire at noon. Is that what happens?—A. More or less, we set the price, anyway.

Q. You set it yourself, the yard sets the price—A. We have competition on our market because of the hog buyers on these truck hogs; that is one place where we feel we can give the producer 100 per cent service, because we have an opportunity to sell them on their merits.

Q. But you say then that the packer refuses to buy these hogs in the morning, until he gets this price; or will he say, this is the price now which you can take, at noon it may be higher or lower and you can take that if you like, but you will have to take a chance on what happens?—A. At noon there is no settled price made on these hogs.

*By Mr. Sommerville:*

Q. The same packer who has 75 per cent of the hogs in his yard comes over to your market and deals with you?—A. Yes.

Q. And if he stays off your yard it may depress your market?—A. Absolutely.



Q. And if he stays off until the afternoon, it may depress your prices?—A. Sure.

Q. But at any rate when the price is actually fixed he goes back and pays for the hogs, and when he pays the price is just sufficient to satisfy the man that he has saved market fees?—A. Absolutely.

Q. And that is in most cases on direct loads?—A. I have been referring mostly to truck shipments.

*By Mr. Kennedy (Winnipeg):*

Q. You say that the price is fixed on the yards; do you mean that the first sale fixes it, or does it vary?—A. Usually we do not offer our hogs until after dinner, until we can get some idea of how many we are going to have to offer, and we have them placed over the scale—they are graded and weighed and put in pens—and we show them to the different buyers. There may be smaller buyers who are able to take care of 40 or 50 hogs. We test them out and arrive at the best price we can, which sets the price of the market more or less.

Q. Well now, just let us get that; it is the first deal on the market which sets the price. Is that the price for which the packer is waiting, or is it fixed by subsequent deals, or what deal is it which sets the price?—A. It would be the first deal.

Q. And the packer will pay the price set by the first deal?—A. Yes.

*By Mr. Sommerville:*

Q. Yet the first deal is not necessarily the first bid, Mr. Chaplin?—A. No.

*By Mr. Ilsley:*

Q. Is that the general practice? This is the first suggestion of it in the evidence. I got the impression that these sales were settled prices themselves. That is the whole effect of all the evidence so far. Now you say they do not settle, they wait and pay them later—pay a different fixed price in the latter part of the day—what the market fixes?—A. In answer to that, sir, what you say is quite right in the case of carload movements. I am dealing at the moment with truck shipments. It is in this class of shipments that we feel we can give the producers 100 per cent service, because we have an opportunity to sell them on their merits.

*By Mr. Sommerville:*

Q. You mean, on grades?—A. Yes.

*By the Chairman:*

Q. You can break lots?—A. Yes, we break them, because they are sold on weights off trucks. With a carload of eighty hogs arriving in the car it makes quite a difference whether they are sold on f.o.b. weights, or weighed-off-car weights; you can't split them up, they must take the whole thing, because there is only one scale for weighing the car lot.

*By Mr. Sommerville:*

Q. Can you explain the difference that makes in the matter of your breaking up lots; I think you referred to that in one of the statements you handed to me?—A. Here is a very recent case: on Tuesday of this week, April 10, the packers were bidding \$7.40 per hundred for truck hogs on the market; and the salesmen were asking \$7.60; finally certain sales were made at from \$7.50 to \$7.60—pardon me, I guess that is not the answer to that question.

Q. That is one of them?—A. I will deal with this right now, if you wish. Finally, certain sales were made at \$7.50 to \$7.60, to one of the packers, and to



which one of the other packers complained to the buyer for raising the market unnecessarily. At the same time they were endeavouring to pay \$7.35 to \$7.45 at their plant. The same day in Kitchener the farmers were receiving \$7.10 for their hogs, and at Guelph 7 cents.

Q. And you sold on the market \$7.50?—A. We sold our hogs at \$7.50 to \$7.60.

Q. And the packers bid \$7.40?—A. They were bearing down at \$7.40 until we persuaded one buyer to break loose and we secured \$7.50 to \$7.60 for our hogs.

*By Mr. Kennedy (Winnipeg):*

Q. Would that difference in price normally take care of the extra selling charge?—A. Yes, it would; it would cost around 11 to 17 cents a hundred to put a hog through the market where he is graded officially and put over a government scale.

Q. But the difference between \$7.40 and \$7.50 is only ten cents?—A. On the short run hogs it would bear down to \$7.35. There is about 15 cents in spread there, enough to take care of the marketing expense.

*By Mr. Young:*

Q. You attribute this to the competition of the yard versus the plant?—A. Yes.

Q. As we have had considerable evidence here to the effect that the packers are getting their supplies by direct shipment—but you say you do not offer any hogs for sale until after dinner?—A. That is in the case of cattle—we usually withhold our direct shipments until we know how many we are going to have to sell. If the run is light we will try to raise our prices, but if the run is heavy we have not the same chance to do it.

Q. This is in hogs?—A. Hogs only.

Mr. SOMMERVILLE: Only hogs are bought direct.

*By Mr. Young:*

Q. You attribute that to the buyers of market cattle, they do not do it in the case of buying hogs; is that the idea?—A. No, not identically.

Mr. FACTOR: I thought it was just the other way around.

*By Mr. Sommerville:*

Q. What was the other instance that you referred to, Mr. Chaplin?—A. On Tuesday of this week, April 10, a shipper brought four hogs to market on which he had been offered  $7\frac{1}{4}$  cents, less \$4. This is the same as the bids that were made for truck hogs at the plant— $7\frac{1}{4}$  less \$4.

Q. Seven and a quarter cents for the bacons?—A. They were four butcher hogs.

Q. Less \$4 off on the four butcher hogs?—A. That would be correct on the way they had delivered on the grades.

Q. On the differentials?—A. Yes. Another plant offered \$7.35 less \$4. These hogs were sold on the market at \$7.50, with a discount of only \$2 on the four hogs; making a net gain to the owner of \$1.87 after paying marketing expenses.

*By the Chairman:*

Q. That is a case where the hogs came in direct and you were able to sell them by grade; the fixed differential did not apply in that case?—A. Correct.

*By Mr. Factor:*

Q. If you refer to the evidence given by Mr. Jamieson here at page 578 of the evidence of March 21st—

Mr. SOMMERVILLE: He was the representative for the Agricultural Committee of the Ontario Legislature.

Mr. FACTOR: Yes, his evidence was:—

Q. Now, first of all as to marketing conditions what observations have you to make to this committee as to the competition in the local stockyards?—A. Well, the general report of the committee indicates that competition has fallen down.

Q. Yes, and how do you account for that, Mr. Jamieson?—A. We attribute that to the percentage of stock purchases going direct to the packer, and the packer controlling the conditions that prevailed.

Q. That is, through the proportion of stock that went to the packer direct; he was in a position to control the conditions on the market?—A. Yes.

Q. How could he control the conditions on the market, Mr. Jamieson?—A. Well, our observations and reports are that the buyer does not appear till late in the forenoon, possibly eleven o'clock in some cases, and we had evidence where they did not appear until even four o'clock in the afternoon; and not even bidding on the stock that was in the yards.

Q. Yes, and the result on the market was what?—A. Draggy.

Q. Draggy; and the effect upon the price?—A. Low.

Q. And that was the basic condition that you found?—A. Yes.

Mr. SOMMERVILLE: That is referring to cattle, as against hogs.

Mr. FACTOR: That does not refer to hogs at all.

Mr. SOMMERVILLE: No, there is a different situation under differentials there. That is the situation with reference to cattle, is it not?

The WITNESS: At times, if they have sufficient cattle at their plant naturally they are not very anxious buyers.

*By Mr. Young:*

Q. Now, Mr. Chaplin, tell us; if that scheme works so well with cattle why don't they apply it to hogs—if your market is draggy and that is wired to Winnipeg, that makes the Winnipeg market draggy, then if the Winnipeg market being draggy is wired back to Toronto, that makes the Toronto market worse; if that works with cattle, why doesn't it work with hogs?—A. So far as hogs are concerned we know that already there are a greater number at the plants.

Q. Seventy-five per cent, you say?—A. Yes, and they are paid for on an f.o.b. basis.

Q. Therefore you would be in a much better position to work the scheme?—A. That is what I have been trying to point out, in the marketing of hogs at our market, in taking care of direct shipment, that is where real salesmanship comes in.

*By Mr. Sommerville:*

Q. You say if you had the same opportunity on all shipments you could do more for the producer?—A. It would establish the true value of hog prices.

*By Mr. Young:*

Q. Have you ever tried it with cattle, not offering any for sale until after dinner?—A. It works differently in the cattle market, because of our yard situation; there are animals for sale at nine o'clock, and our salesmen endeavour to test out the different buyers, they have some idea of where the animals should sell, as to grade and quality. They do not accept the first bid. Many times they hold the cattle back till later on in the day because they feel they are not bid enough. In the meantime the different buyers appear—and right this week we had an instance where cattle was sold for half a cent a pound more than our

first bid was for. That is our duty, to get as much as we can; and if we had everything on the market we would be able to establish a still greater value on cattle.

Q. Does it ever happen this way; that the packer stays out of the market for half a day and then when he comes in he finds that the best cattle have been disposed of and he is out of luck?—A. That might happen.

Q. Then he has to bid up the others, that raises the market price?—A. If he is short of cattle, he will certainly have to bid, because the commission man soon knows when he is short by his attitude.

*By Mr. Sommerville:*

Q. As a matter of fact, Mr. Chapman, he has runners all the time watching what sales are taking place?—A. Yes, and he is watching the scales all the time.

Q. He is watching what is going on there in the scale house, the prices, the quantities, the grades, and all that; and they are reported to him all the time?—A. They know the other fellow's business, but he does not know theirs.

Q. And if you know what quantity the packer required to buy you would be in a better position to function for the producer?—A. Yes, absolutely.

*By Mr. Young:*

Q. If the packer found there were other buyers on the market, he would not stay out of it?—A. No, he would want to get in there and get his share.

Q. If he needed them?—A. If he needed them.

The CHAIRMAN: Thank you, Mr. Chaplin.

The witness was discharged.

Mr. HARRY TALBOT, called and sworn.

*By Mr. Sommerville:*

Q. Mr. Talbot, you have been a member?—

The CHAIRMAN: Sit down, Mr. Talbot.

The WITNESS: May I have a drink, Mr. Chairman.

The CHAIRMAN: Certainly, but I might warn you that it is only water.

The WITNESS: That is all I want, thank you very much.

Mr. SOMMERVILLE: Now, he is "fed-and-watered," as it were.

*By Mr. Sommerville:*

Q. You have been a member of the Toronto Live Stock Exchange for a good many years?—A. Yes, a good many years.

Q. And you have been in the cattle business on that market for how long?—A. My experience has been widely versed; I have not been on that market all of my life.

Q. You have been there for a great many years.—A. I have been in the commission business since 1924 only on that market, but I have been on that market buying.

Q. You were a buyer before that?—A. I bought, yes, for a packing company for about two years. I spent eight years in Winnipeg on the Winnipeg market.

Q. Well, you are familiar at any rate with marketing practices and the live stock business?—A. I profess to be.

Q. Yes?—A. Just at the moment, Mr. Sommerville, I wonder if I may be permitted before you start questioning me to make one correction in Mr. Quinn's evidence, and probably enlarge on another item.



Q. Yes, Mr. Talbot, what is that?—A. In the matter of setting out the commissions there; in his evidence, what Mr. Quinn states insofar as England is concerned, is not exactly correct. The commission charges in England at the present time, and always have been—I have been an exporter and I have exported cattle—the commission is 10 shillings straight, which works out no matter whether there is one head, or a hundred or a thousand, it is ten shillings a head—it works out at the present time in our currency at \$2.60 a head.

*By Mr. Kennedy (Peace River):*

Q. And that includes yardage, and so on?—A. Everything that is done over there in addition to that is charged, they even charge you over there for driving the cattle.

*By Mr. Sommerville:*

Q. That is the salesman's commission?—A. The salesman gets that, and when he sends you a bill you are charged for it; and they write on their sales accounts, they have a place there for everything—they even include "gifts"; they give your money away and charge you for it.

*By Mr. Young:*

Q. The ten shillings is just the commission alone?—A. The commission.

*By Mr. Sommerville:*

Q. What is the other matter you wished to enlarge upon?—A. That is the matter of where we agreed amongst ourselves to confine our operations to the stockyards only. Prior to the time of that agreement coming into being some of us commission men—practically all of them—used to go to the country with the packer-buyer and sell a considerable amount of our clients' cattle—I am speaking now of cattle only—to the buyer, and received the same commission for our services as we did through the yards. That was a time when there was a great deal of beef being exported to the United States, and for a period of time it was a very profitable business for the packer, and they bought through us in very large numbers.

Q. To ship to the United States?—A. They processed them, killed them at their plants and shipped the beef to the United States. But there came a time when that was not so profitable, and on account of the activity that we took in that business with our clients, our clients rather liked the idea of being able as it were to get away from the marketing expense, the feeding and one thing and another, what there was of it; but after a period they stopped going to the country with us and began to buy stock and cattle sent direct into the plants through us. They would not make any price on them, but they would come into the plant and we would do business sometimes on the dressed weight or percentage—so much per hundred pounds. As that thing went along some of our clients began getting some very bad deals through us on which we could not do anything—they would just say, there is the price, that is all we will give for them, the cattle are not as they were represented to be; and that is what you can do with them. Well, that was the outcome of the commission men coming together and agreeing that we would have nothing at all to do with the packers insofar as shipments direct to their plants were concerned.

Q. That is, your experience was that you were not getting a good return for your customers on the dressed basis?—A. We were not satisfying our customers.

Q. Therefore, you agreed not to deal with them on these direct shipments?—A. Yes.

*By Mr. Kennedy (Winnipeg):*

Q. You were buying on their grade, instead of them coming to you?—  
A. Yes, they had us; we were the ones through our customers that were getting the blame.

*By Mr. Sommerville:*

Q. Before the merger, did you have more competition on your market than afterwards?—A. Before the merger?

Q. You had a merger of four or five plants?—A. Yes we had more buyers before the merger; the four plants, Canada Packers, Davies, Gunns, and Harris's, had cattle buyers—all told, 16.

Q. 16 buyers?—A. On the market.

Q. For cattle?—A. Cattle buyers.

Q. And as a result of the merger they had how many?—A. Six—Swifts had four at that time, and they have four at the present time.

Q. So that the number of buyers has been reduced by the merger and now there is only one big buyer instead of buyers for the four firms?—A. At the present time we lack very much four buyers from these firms, on account that now Swifts have only two what you would call butcher buyers—that is, steers and heifers—and they have two cow buyers, but they do not buy as many cows as they did.

Q. Then, your competition is more restricted than it was before the merger was effected.

*By the Chairman:*

Q. What is the answer to that, yes or no?—A. Yes.

*By Mr. Sommerville:*

Q. What effect has the increase in shipments direct to the plant had upon the competition on your market?—A. Direct shipments to the plants cause this advantage that they have we will say 30 to 35 per cent in cattle in their plants of their requirements; and that takes that 35 per cent of competition off the yard, and it makes them so that they do not have to hurry themselves in their buying operations—they can come along and buy just as they see fit.

Q. Has this any effect upon the market?—A. It has a depressing effect upon the market, yes.

Q. What effect has the trucking, developed of late, had upon the market—speaking of cattle?—A. Draggy.

Q. Has it been on the increase lately?—A. To the market.

Q. No, to the packing plants?—A. I have no figures to show whether it has or not.

Q. We will have to find that out then. There is another feature of marketing there that I want to ask you about; the feeding of lambs by the packers. What effect has that upon the market?—A. It has this effect, that they are always at all times—after a certain period when their lambs are ready to kill—they are always in a position that they can use out of their feed lots rather than buy them and raise the general market.

*By Mr. Factor:*

Q. Where do they buy these lambs, and when?—A. Most of these lambs are bought in the fall of the year, along in the early part of October or November, in the West.

Q. And then they are brought down here and fed at the packing plants at Toronto, are they not?—A. Yes.

Q. In large numbers?—A. Yes, very large numbers.



*By Mr. Sommerville:*

Q. Would you say there would be five or ten thousand?—A. I would say in one case more than that.

Q. More than that. And then they are fed, and you say when the farmers bring their lambs in—what effect has this reserve supply of lambs on the market?—A. I might say in all due respect to the packers that a few years prior to now—the Ontario farmer has of late, this last year or two years begun to get into the feeding of lambs—but prior to that there was not any great amount of these western lambs fed in Ontario. It was the packers who practically started that business, so far as Toronto was concerned. There are a lot of these lambs fed at Fort William and Winnipeg.

Q. What would happen if these lambs were not fed by the packers?—A. The Ontario farmer would go into the business and feed them himself.

Q. The Ontario farmer would take them?—A. Yes.

Q. And then bring them on to the market at the time when they were finished?—A. Yes.

Q. But if he brings them on the market now he meets this reserve supply?—A. He meets this reserve supply, yes.

*By Mr. Ilsley:*

Q. But the Ontario farmer did not do it, the packers had to go into it; is not that what you say?—A. I would say yes, that the packer was the first one to go into that in Ontario.

*By Mr. Sommerville:*

Q. Well then, when you are buying your lambs, or selling your sheep and lambs, I understand you have culls in your various shipments of sheep and lambs?—A. Yes.

Q. And the farmers can buy back these culls and take them to the country for feeding?—A. Last fall we had orders from two or three different farmers we were unable to fill because we could not get the cull lambs out because the packers wanted them all.

*By the Chairman:*

Q. That is the same as their practice with respect to carloads of hogs?—A. Yes.

Q. You had to sell them all or none?—A. Yes.

*By Mr. Sommerville:*

Q. And these culls could be fed and brought up to good finished lambs—were they fed by the packers?—A. I do not think so, so far as the packers are concerned. I think these culls were killed at the time. These were Ontario lambs and the packer's feeding stock is pretty much western lambs.

Q. They will not allow the culls to be taken out to be fed?—A. Not to any extent.

*By Mr. Young:*

Q. What remedy would you suggest for that situation?—A. I do not know whether or not it is possible to stop a packer from going into the feed business or not. If he has a farm I think it would be much better; if he was a farmer it would be better; but it does seem it is a little hard on the whole industry to have a monopoly of a business which has been a fairly paying business. The feeding of lambs on the whole, over a period of years, has been a fairly good paying business.

Q. Suppose the packer were stopped from doing it, and these lambs still continued to come down, what would happen to them?—A. The Ontario farmer would feed them.



Q. Would he take them all?—A. Yes.

Q. Would he take them in at as good a price as the packer takes them?—  
A. Yes. They do not give much for them anyway.

*By Mr. Sommerville:*

Q. What do you say is the effect of the practice of marking the price on the ticket at the scale?—A. I say it is one of the most disastrous things that there is to the producer in the whole of Canada.

Q. Why?—A. Because everybody knows what the other person is doing. The packers have men to do nothing else but make sure that they know everything that is being done. If a small butcher should buy a load of cattle, the packer knows it. He pretty well knows as far as the meat trade of Toronto is concerned where the small butcher is liable to try to sell these calves. He knows what they cost, and he has an advantage.

Q. What advantage has he?—A. There is no advantage from the small butcher knowing about the packers, but the packer is in such a big way that the small butcher might have one load of cattle—

Q. What advantage could the packer take of that?—A. They might under-sell him.

Q. In the local trade?—A. Yes.

*By Mr. Kennedy (Winnipeg):*

Q. Regarding this marking of the tickets, is that because of some regulation in force?—A. Yes, because of the regulation.

Q. Of what?—A. Of the Department of Agriculture.

*By Mr. Kennedy (Peace River):*

Q. What was the purpose of that regulation?—A. For the purpose of being sure there was no misconduct and for statistical purposes for the department, and so that anybody and everybody could know—could go and see what the different grades of stock were selling for.

Q. If the price was not on the ticket how would you protect the producer?

The CHAIRMAN: Give him a separate ticket.

WITNESS: You have mentioned hogs. That is a matter which seems a funny thing to me on account of the way hogs are being sold. Parliament does not enforce that in as far as hogs are concerned.

*By Mr. Sommerville:*

Q. Do you mean there is no price on the ticket on the sale of hogs over the scale?—A. Yes.

Q. That applies to all the rest of live stock. That was a regulation which went into effect before the time when the department had bonded all the commission men?—A. No, I would not say so.

Q. You think not?—A. No.

Q. You think the \$10,000 bond existed at the time it went into effect?—A. About the same time.

Q. Did it go into effect before the department had power to go in and examine the books of the commission men?—A. No. I do not think so.

Q. About the same time? You think they were all put in about the same time?

*By the Chairman:*

Q. Witness, if a separate ticket for price were issued would it not give the same protection without disclosing to the competitors the price?—A. A separate ticket?

Q. For price. Instead of putting it on the weight ticket?—A. It would still be in the hands of the scale man. Is that what you mean?

Q. I mean that instead of putting the price on the weight ticket, which you complain of. There is the weight, the name of the owner and all the rest of it, and the price, and you complain that the putting of that price on the ticket discloses to competitor buyers what price is being paid. Now, suppose a separate ticket were given for the price, it would carry the same protection to the farmer selling the stock, but it would not disclose the price to the competitor?

Mr. EDWARDS: Do you mean a serial number?

The CHAIRMAN: Yes.

WITNESS: The way live stock is handled and weighed that would incur considerably more detail and more expense in handling.

The CHAIRMAN: What protection are you going to give to the man whose stock is being sold if you do not have a record of that kind?

WITNESS: You have a record of it, and the department has full access to all your records. Those tickets could come back and be marked in the office, and in that way there is nobody, only the commission firm and the buyer, that would know. Now, for advertising purposes, the Department of Agriculture has an office and they could get those prices—the varied prices.

*By Mr. Sommerville:*

Q. Without disclosing the actual purchase?—A. Yes, without disclosing the actual purchase.

Q. You think that ticket should go back to the firm and the price be put on it then?—A. Yes, sir.

Q. And you have no difficulties about the omission of the price from the hog ticket?—A. No.

Q. And you say you would have no difficulties about the omission of the price from the cattle ticket if it were later put on in the office of the agent?—A. No. I have seen examples of that, where there might be an exceptionally good load of cattle and you could not get the packer's buyer to go any higher, and he was not backward in telling you. Supposing the general price was 6 cents a pound for good cattle, you could not get that packer to go 6¼. He says, "everybody would be wanting 6¼ for cattle," although that grade of cattle might be as cheap at 6¼ as the average would be at 6 cents. That is one detriment. The packer is very careful.

Q. The packer is afraid to pay the higher price for the better cattle because every other agent on the market would know and would expect a similar price for his cattle?—A. Yes.

*By Mr. Young:*

Q. How would it work the other way? If you kept all those prices secret and a man comes in with a load of cattle and does not know what the prices are, and he is not in a position to compare his cattle with other cattle, and does not know the relative prices?—A. He would entrust those cattle to somebody and trust the judgment of whoever he consigned them to who would be working in his interest.

*By Mr. Sommerville:*

Q. Cattle are sold by the commission men, are they not?—A. Yes.

*By Mr. Ilsley:*

Q. That is the advantage of a public market; it fixes a public price?—A. There is no such thing as a fixed public price in as far as cattle are concerned,

because there are so many different grades. Now, talk about grades in hogs, there might be ten different grades in the same weight of steers—ten different values, I mean.

*By Mr. Sommerville:*

Q. You could have your price settled by the trading of the day, as to the price of the various grades without disclosing individual transactions?—A. That is it.

Mr. YOUNG: Yes, but the farmer comes in with a load of cattle and he does not know what the market is. He wants to look around before he sells, and he sees similar cattle. He wants to know what they are bringing in, and if nobody will tell him how does he know that he is getting a fair price?

Mr. FACTOR: Are there any farmers who bring their own cattle to the market?

The WITNESS: There are some.

Mr. KENNEDY (Winnipeg): Cannot they get the information from the commission men?

The WITNESS: That is what he is for. He discloses all the information to his client.

Mr. SOMMERVILLE: There is no question about getting prices from commission men even if you are not a client?

The WITNESS: No.

Mr. FACTOR: Can a farmer sell his own cattle without going to the commission man?

The WITNESS: He can.

*By Mr. Sommerville:*

Q. Now, as a matter of practice, do the drovers come to your market in large numbers?—A. I would say the drovers come to our market over 90 per cent.

Q. And they are dealing with live stock all the time?—A. Yes, sir.

Q. And do they sell them themselves, or do they send them to the commission agents?—A. 100 per cent to the commission agents.

Q. And the drovers are experienced cattle buyers?—A. Yes.

Q. One would expect that they would make use of their own knowledge in selling their cattle on the market?—A. Yes.

Q. But they do not do so?—A. No, sir.

Q. Now, you have come down with a statement of the earnings of the Exchange—the members of the Exchange—A. Yes, sir.

Q. Mr. Quinn has given us the basis of the charges that have been fixed by the regulations. You have no other source of revenue except the basis given by Mr. Quinn in the regulations?—A. None whatever.

Q. And what does the statement from your auditor show as to the financial result of the operations of your live stock exchange during the year 1932? Would you let me have that?—A. Yes, sir.

Q. I understand this is a statement prepared by an auditor, and contains a consolidated report of all the live stock commission men on the Toronto Live Stock Exchange?—A. For 1932, nine firms.

Q. And for 1933?—A. This one is for 1933. This is the expense sheet for 1932.

Q. And this is the consolidated statement of income and expenditures for the year 1932 and shows the effect of the proposed reduction in Commission rates when applied to that year?—A. Yes, sir.

Q. And it contains a statement of net income and net loss per head of live stock received on that basis?—A. Yes.



Q. I see that the net earnings per head of live stock received at the Union Stock Yards for the year 1932 was procured from a bulletin published by the Union Stock Yards of Toronto, and the net profit per head, without taking into account the proposed modification of commission rates, was  $2\frac{1}{5}$  cents?—A. That is correct.

Q. And this statement shows the net loss per head of cattle received for the year 1932, which would be sustained by the commission brokers if the proposed modification of commission rates was put into effect that year—the net loss per head as reported on this statement is  $2\frac{2}{5}$  cents?—A. That is correct.

Q. If the proposed changes were made.

Mr. ILSLEY: They would have made a loss?

Mr. SOMMERVILLE: They would have sustained an actual loss on the year's operation.

Mr. FACTOR: If it was reduced by \$2?

*By Mr. Sommerville:*

Q. If there was a reduction of \$2 per car?—A. And 25 cents per head on truck cattle and 5 cents a head on lambs.

Q. I see you have given a list of the employees: principals and salesmen 45, yard staff 58, office and management 25, occasional help 18, total 146. The gross income from commissions reported by live stock commission brokers for the year 1932 is \$300,821.83, and decreased income if modified commission rates were applicable for the year 1932 is \$38,210.19. Gross income reduced would be \$262,611.64. Expenses, including salaries, stationery, telephone, telegraph, postage, rent, bad debts, etc., \$282,798.13. The net excess of expenditures over income is \$20,186.49?—A. Yes, sir.

Q. That is the statement you're submitting?—A. Yes.

(Report Toronto Live Stock Commission Brokers, 1932. Report Toronto Live Stock Commission Brokers, 1933. Filed, marked Exhibit 99).

*By Mr. Kennedy (Winnipeg):*

Q. Where do bad debts come in in the commission business?—A. Bad debts? They would come in through N.S.F. cheques and we have had occasion for someone to come in and buy stuff off us and never pay for it at all.

*By the Chairman:*

Q. Feed and so forth?—A. Not feed, no.

Q. What then?—A. Buy goods.

Q. Which you had to make good under your \$10,000 bond?—A. Absolutely.

*By Mr. Sommerville:*

Q. As a matter of fact, you have given a statement of the gross sales of your exchange. Has there ever been a loss on your exchange in a period of ten or fifteen years?—A. No, sir. Through the commission firms? No, sir.

Q. At any time?—A. No, sir.

*By Mr. Sommerville:*

Q. 817,985 head of live stock received in the year 1932 on the Union Stock Yards, Toronto, as reported by Union Stock Yards, Limited, net profit per head  $2\frac{1}{5}$  cents; and if this proposed cut were made, these figures show that your net loss per head would be  $2\frac{2}{5}$  cents?—A. That is correct.

Q. That is for 1932. For 1933 you submit a similar statement?—A. Yes.

Q. And that would show that the gross sales for the year were \$13,869,-900.94; you had a net income of \$14,204.92?—A. Yes.

Q. And with the cut, the profit per head during 1933 was 1-4/5 cents?—A. Yes.

Q. While the net excess of expenditure, if the new rate went into force, would show a net loss per head of 3-4/5 cents; that is your contention?—A. That is correct.

Q. For nine firms as shown?—A. Nine firms.

Mr. ILSLEY: What about this story that there is another firm?

Mr. SOMMERVILLE: I am just going to bring that out. These will be filed as exhibits.

*By Mr. Sommerville:*

Q. You are also filing a statement of expenditures for 1933?—A. That is 1932, I believe.

Q. Yes, 1932?—A. 1933 is attached in that.

Q. It is in there?—A. Yes.

Q. This shows that the average yearly wage of 45 principals and salesmen was \$2,959; the average yearly wage of 58 yard staff was \$851.33 each; the average yearly wage of 25 office and management employees was \$1,570.24, and the average wage of the occasional help was \$223.45?

Mr. FACTOR: That is part time.

Mr. SOMMERVILLE: Part time, yes. That is for 1932.

*By Mr. Ilsley:*

Q. All these commission concerns are limited companies, are they?—A. Some of them. The company I am with is a limited company, yes.

Q. Those expenditures include salaries for the officers of the limited company, don't they?—A. No, there is no salaries outside of what is in this statement.

*By Mr. Sommerville:*

Q. The officers of the limited companies are operating as salesmen on the market?—A. Yes.

Mr. ILSLEY: Yes, now I understand.

*By Mr. Sommerville:*

Q. They are limited companies, except in the case of the U.F.O.; that does not operate as a limited company. Are there any employees of that that are not operating on the market?—A. That I could not answer.

*By the Chairman:*

Q. All these employees are operating?—A. Are active.

Q. On this market, in connection with your business on the market?—A. Yes, and there are no other charges outside of what is there.

*By Mr. Kennedy (Winnipeg):*

Q. There is no official drawing a salary but what is actually working on the market?—A. No.

*By Mr. Factor:*

Q. In other words, Mr. Talbot, the highest salary that any officer or employee of any of the concerns receives is \$2,958?—A. That is the average.

Q. That is the average?—A. Yes.

Mr. SOMMERVILLE: The average of the management.

*By Mr. Ilsley:*

Q. What is this profit? Let us get a little clearer picture. This profit of so much an animal, what does that go against? What does it cover? Is that your return on capital investment?—A. Yes.

MR. YOUNG: What is your capital, desks?

*By Mr. Ilsley:*

Q. What does that amount to, your capital?—A. The capital investment in the live stock commission business is not great, but it has to be enough to carry on business.

Q. That is to say you all get your pay, and then you have so much per head to remunerate you as a return upon your capital investment?—A. Yes.

Q. It is only small?—A. In other words, fourteen commission firms—at least nine commission firms in 1933 got \$14,000 to go against doubtful debts that might be on their books, and no interest for the capital investment.

*By Mr. Young:*

Q. No depreciation on your office equipment or anything?—A. There might be some depreciation taken in, like there would be in any business.

*By Mr. Sommerville:*

Q. You have only got a few desks in your rooms?—A. Yes, that is all.

Q. And your equipment does not amount to very much on the way of equipment?—A. No.

*By Mr. Ilsley:*

Q. I thought you had taken bad debts into account there?—A. There is still accounts on your books that may prove bad debts.

Q. I know, but that goes on from year to year?—A. We have not taken into account anything of that.

Q. What dividend could you declare on your capital investment?—A. Dividend?

The CHAIRMAN: Not very much.

*By Mr. Ilsley:*

Q. Yes, what dividend?—A. My dear sir, we have never had no dividend to declare.

Q. I know you have not; I know you are not operating as one concern. You are operating as nine concerns?—A. We are operating separately; every firm is separately. There is nine firms. We are not collectively operating.

Q. That is what I say, you are operating as nine companies, not as one company. You don't have any share capital on the live stock exchange. I know that. How much should you be making per head on this cattle? Would it not be all right if you came out exactly even, after you have all got your pay, and take care of bad debts and so on? How much should you be making? What do you want us to allow you to make, in other words?—A. I would be satisfied if you would set what we should make.

Q. No, I am asking you. You know about it and I don't. I want to get some sort of an idea.

The CHAIRMAN: The point they are making in these two statements is, Mr. Ilsley, that if the suggested reduction is made they would actually make a loss. At the present time they say they are making a gain in one year of  $1\frac{1}{2}$  cents and in the other year  $2\frac{1}{2}$  cents, over and above expenses.



*By Mr. Ilsley:*

Q. The profit is small?—A. Yes, we are not running a profitable business.

Q. If it were on a profitable basis, a fair, profitable basis, how much per head of live stock should you be making?—A. Oh, I don't know that I could tell you so much per head; but I would say that an individual firm or company paying the small salaries that are paid to the principals—I don't mind telling you that I draw \$60 a week myself, and I am a principal. I am vice-president of the company, and I draw \$60 a week. I think that after everything is paid that there surely ought to be another \$1,000 left for me. There is just the two to divide it, that would be \$2,000 our firm should make in a year. I think that would be reasonable.

*By Mr. Factor:*

Q. You don't make that now?—A. They are not making anything now.

*By Mr. Young:*

Q. The firm consists of two men?—A. Yes.

*By Mr. Kennedy (Winnipeg):*

Q. How long have you been in business?—A. I have been in the commission business in Toronto since 1924.

*By Mr. Sommerville:*

Q. It is suggested that there are others who are willing to go into this business, though you say it is in this condition. What do you say as to that?—A. Well, the new firm that has gone into the business is really, as it were, not a new firm. It is composed of three brothers that were in two other firms, and their business was practically their own. How they were working with those other firms I am not prepared to say. I do not know.

Q. That is to say, three men that were drawing a salary out of another firm, have set up in a separate live stock firm on the exchange?—A. Yes.

Q. They were drawing a salary from some other firm that was one of the nine?—A. If I would be allowed to presume, I would presume that they were not drawing a salary. The business that they were doing was on a commission basis, and the business that they had, they considered was practically their own business, and it was practically a 100 per cent truck business, and they amalgamated with that another gentleman.

Q. And went into business?—A. And went into business.

Q. So that while they are organized as a separate firm, you say they were carrying on the same similar business in the firm to which they formerly belonged?—A. Yes. I don't know that for a fact.

The CHAIRMAN: Do we care about that?

The WITNESS: No, I don't think so.

*By Mr. Sommerville:*

Q. At any rate, you have no other explanation to offer for anyone desiring to get into this business that you say is not profitable?—A. No, sir. Anybody that understood it, who knew it all, would never want to get into it. Those that are in it, if they knew anything else to do—they say, "Why don't you get out?" But a live stock man is a live stock man. He is not a lawyer and he is not a politician.

The CHAIRMAN: We don't care very much about that. I don't think I would waste time on it.

*By Mr. Sommerville:*

Q. Then what you say is that the rates could not be reduced as suggested?—A. No, they could not.

Q. Without loss?—A. Without disastrous loss.

The CHAIRMAN: I think what we are mainly concerned about is that, apparently from the evidence so far, the rates are not of the character that can be looked upon as excessive. We will pass our own decision on that later on.

Mr. FACTOR: His evidence is a loss would be sustained if the rates were reduced.

Mr. SOMMERVILLE: Yes. Well, thank you, Mr. Talbot.

The witness was discharged.

The CHAIRMAN: Call it a day. We will meet on Monday afternoon, an executive session.

Mr. FACTOR: You don't know what the program is?

The CHAIRMAN: No. I have a brief report on the Ontario matter. It seems there are some regulations. We have not got the full particulars, but we find some regulations were passed in connection with the Public Vehicles Act, and it involved licensing, but it seemingly was not made obligatory. However, we are not sufficiently informed yet.

The committee adjourned at 5.25 p.m.

HOUSE OF COMMONS, ROOM 368,

April 17, 1934.

The special committee appointed to inquire into price spreads and mass buying met at 11 o'clock a.m., the Hon. H. H. Stevens, presiding.

Mr. Norman Sommerville, K.C., of Toronto, and Mr. W. W. Parry, K.C., of Toronto, appeared as counsel for the committee.

The CHAIRMAN: Order, gentlemen. The minutes of the last meeting indicate certain exhibits filed, and three witnesses, Messrs. Quinn, Chapman, and Talbot, heard. I will declare the minutes approved, unless there are some objections. I understand there are certain documents to be filed this morning.

The CLERK: Yes, there are filed two copies of the report on an alleged tobacco combine.

(Two copies of report on an alleged tobacco combine filed and marked Exhibit No. 100.)

There is also a list of shareholders and the financial structure of the North Battleford Stockyards Co., Ltd., and a letter from Mr. Reid, member of Parliament.

The CHAIRMAN: Before we call the witness to-day, I would like to mention a question which arose at the close of last session regarding certain highway regulations, and an Ontario statute providing for bills of lading for truckers. The counsel for the committee has secured certain information. He will file this; but I think it might be well just to read the accompanying letter and file, if he will, the regulations which are attached to the letter.

Mr. FACTOR: It is under the Public Vehicles Act, is it not?

Mr. SOMMERVILLE: Yes. These are addressed to the counsel of the committee. This one is dated April 14, 1934, and is signed by L. Macaulay, Minister of Highways, for the province of Ontario. It reads as follows:—

Referring to the statement made before your committee on the 12th instant by Mr. Ross Chapman of Toronto, I am forwarding herewith for the information of your committee a memorandum prepared by Mr. J. P. Bickell, Registrar of Motor Vehicles, to whose branch the administration of the Ontario Public Commercial Vehicle Act is attached, which I trust will be of interest to the commission.

This is the memorandum:—

Memorandum for the Honourable Mr. Macaulay from the Registrar of Motor Vehicles, *re* the Public Commercial Vehicle Act and Live Stock Hauling:—

Since the 1st of September, 1928, there has been in effect in the province of Ontario an Act known as the Public Commercial Vehicles Act. Under this act motor vehicles or trailers operated for hire, pay or gain for the transportation of goods, wares and merchandise, other than those operating solely within the corporate limits of one urban municipality, are required to be licensed by the Department of Highways.



Provision is made in the act for the making of regulations by the Lieutenant-Governor in Council respecting the issue of licences, and the fees to be paid therefor. Under this authority regulations are in effect which divide the vehicles coming within the act into five classes. Vehicles operated for the transportation of farm and dairy produce or live stock exclusively are classed as "E". Under the regulations such vehicles are required to display a plate indicating the class of licence under which they are operated, and the operators are required to carry what is known as cargo insurance, the amount of which is based upon the gross weight of the vehicle, the minimum amount of insurance being \$500 for a vehicle up to 5 tons gross weight, the maximum \$1,000 for a vehicle up to 10 tons gross weight.

Owners and operators of public commercial vehicles are required to use a form of bill of lading as provided in the regulations and a copy of such bill of lading must be carried by the driver, which bill must contain full particulars of the load. Until 1932 exception was made to the use of a standard form of bill of lading by class "E" operators. In May, 1932, as a result of representations made to the department, a special form of bill of lading was prescribed for those engaged in the transportation of live stock. When this regulation became effective a supply of forms of bill of lading was issued to class "E" operator without charge, and on the 8th of June, 1932, a letter was addressed to the manager of each packing house, in which it was pointed out that a uniform bill of lading had been prescribed and their co-operation was sought in securing an enforcement of this regulation. Officers of the department enforcing the regulation have devoted considerable time to this particular regulation and since the meat packers were written upon the subject, they have been called upon by officers of the department and urged to co-operate by refusing to accept from public commercial vehicle operators live stock not accompanied by the prescribed form of bill of lading. It is apparent from investigation made by the department that there is not the desire on the part of the shippers of live stock, nor the receivers, to co-operate with the department in the enforcement of this regulation. The producers apparently prefer to allow the hauler to dispose of their live stock at the market or packing house at which he can secure the best price, rather than to consign the shipment to a particular packer or commission agent.

Instances came to the attention of our inspectors where bills of lading describing the cattle being carried were used but the name of the consignee was omitted. A considerable quantity of live stock delivered by a motor truck to the markets and packing houses is delivered by the producer or by the owner of the live stock who has purchased same from the producer. In such cases, of course, even though the owner of the vehicle may be a licensed public commercial vehicle operator, the stock being his own, he is not required to use a bill of lading, such operation of his vehicle not bringing him within the meaning of the Public Commercial Vehicle Act. This is the only reason advanced by the packers for their inability to co-operate in the enforcement of this regulation, but in the opinion of the department, the packers and commission agents are in much the preferable position to ascertain whether or not a person delivering the live stock is the owner or is transporting same for the owner.

It is a fact that the enforcement of any act or regulation which has not the sympathetic support of those concerned is difficult, if not impossible, and the lack of co-operation of the farmer producer of the live stock, and the live stock commission agent or meat packer, has made exceed-

ingly difficult the enforcement of this particular regulation which was promulgated in the interests of the producer on one hand and the packing houses or commission agents on the other.

The statement of Mr. Ross Chapman of Toronto, who testified before the House of Commons committee on mass buying on the 12th instant, that "under pressure of somebody" this department had failed to enforce the act is, of course, ridiculous. There have been no representations made to the department by any parties concerned with a view to a relaxation of our efforts to enforce this regulation but as stated, we have not received the co-operation necessary to make it wholly effective.

Respectively submitted,

J. P. BICKELL,  
*Registrar of Motor Vehicles.*

Accompanying that is a copy of the letter written by the department to the various packing houses, dated June 8, 1932, which reads as follows:—

DEAR SIRs,—I beg to call your attention to a recent amendment to the regulations passed pursuant to the Public Commercial Vehicle Act, which requires that owners of vehicles operated for hire for the transportation of live stock shall use a form of bill of lading as prescribed in schedule "C" of the regulations, a copy of which is enclosed herewith.

This regulation was enacted as a measure of protection to shippers of live stock, and in order to eliminate certain irregularities and undesirable practices of operators engaged in this business. In order that this regulation may be effectively enforced the department earnestly requests your co-operation.

In the first instance the department has provided free of cost to those carriers engaged in hauling live stock a supply of bills of lading, but further supplies, however, must be procured by the carrier at his own cost. There is no good reason why each carrier should not comply with this regulation, but in the enforcement of this provision you will assist this department if you insist that each shipment accepted by your company is accompanied by the bill of lading properly completed.

Yours truly,

J. P. BICKELL,  
*Registrar of Motor Vehicles.*

Along with it is filed the bill covering the Public Commercial Vehicle Act of 1934 which has just been passed, which slightly amends but still carries through this regulation, and the regulations themselves covering the licensing of public commercial vehicles.

(Letter of April 14, 1934, copy of letter of June 8, 1932, Memorandum, Bill and Regulations re Public Commercial Vehicle Act, filed and marked Exhibit No. 101.)

Mr. FACTOR: Apparently the act did not go far enough to cover owners shipping direct by truck.

Mr. SOMMERVILLE: No, it does not cover that, a man bringing his own deliveries. There is no object in having a bill of lading in those circumstances.

The CHAIRMAN: Now, gentlemen, our witness to-day is Mr. McKenzie, Minister of Agriculture of the Province of Manitoba. I understand that Mr. McKenzie comes from a conference between the agriculture departments of the



three prairie provinces, and will indicate, I think, to some extent at least, that he is speaking for the three, and also speaking particularly for himself as Minister of Agriculture. I am sure we appreciate very much having Mr. McKenzie with us and we shall welcome his evidence this morning.

Hon. D. G. McKENZIE, called and sworn.

*By Mr. Sommerville:*

Q. You are Hon. D. G. McKenzie; the initials stand for what?—A. Donald Gordon McKenzie.

Q. Minister of Agriculture and Immigration of the province of Manitoba?—A. Yes.

Hon. Mr. Stevens and gentlemen of the committee, may I just, by way of a word of explanation, say that in approaching our brief to-day, I am presenting to you the situation as we see it in Manitoba, and also embodying in my memorandum the report adopted by the agriculture committee of the legislature of Manitoba, and quoting a series of recommendations that was jointly agreed upon by the Department of Agriculture of the three western provinces, Manitoba, Alberta and Saskatchewan.

*By the Chairman:*

Q. If you wish to sit down, Mr. McKenzie, it will be quite all right with us?—A. Well, if you don't mind, I think I will stand for a while; I have to use my charts anyway.

I appreciate this opportunity of appearing before you on behalf of the live stock producers and also the government of the province of Manitoba. We welcome this investigation, and are greatly encouraged in the hope that the findings in your report will result in some measure of relief to the producers of live stock.

The man on the land is strenuously endeavouring to secure sufficient revenue from the sale of his farm products to meet his obligations and provide a living for his family and himself. I respectfully submit that, unless some adjustment can be made between costs of production and net prices received by the producer on the land, a large proportion of the men now engaged in the production of live stock will be forced to discontinue. Credit is becoming increasing difficult to arrange. This, coupled with the fact that any surplus reserves which farmers may have had have now disappeared, will ultimately compel farmers to discontinue the production of live stock.

I am not appearing before this committee with any "ready made" or pre-conceived conviction as to a remedy. I sincerely appreciate the magnitude of the task you are undertaking. I am also conscious of the problems facing those concerned with the merchandising of live stock and live stock products, particularly organizations merchandising live stock products in the markets of the world. I am, however, before you to suggest especially that some change will have to take place in our merchandising practices, which will reserve a larger share of the consumer's dollar for the primary producer. This is basic and fundamental.

There is a real difference between the position of the primary producer and those who handle the farmer's product. The farmer's price is arrived at after all marketing charges—based on costs—are deducted. The farmer has little or nothing to say about the price he receives. For that reason his prices are not definitely related to his costs of production. My plea to this committee is, that unless a larger share of the consumer's dollar can be segregated for the primary producer in order to enable him to at least meet his costs of production.



he cannot continue in business. That, Mr. Chairman, is the challenge which all connected with the merchandising of livestock and livestock products have to accept. Marketing farm products at a loss is an untenable position for any producer to be placed in, and is a matter of great national consequence.

In 1931, the total number of people in the three prairie provinces making their living directly off our farms was 1,195,414 or 50·7 per cent of the total population of these provinces. May I interject that the figures we use are all taken from the Dominion Bureau of Statistics, and we have included no figures that we had in our own provinces. If to this is added all those who make their living out of processing agricultural products, the number becomes much more impressive, and anything affecting the lives of such a percentage of our people is a matter of great moment. It should here be noted that the value of agricultural products in the provinces of Manitoba, Saskatchewan and Alberta during the five-year period 1928-1932, was as follows, and I will just read the millions:

1928.. . . . .	\$843,153,000
1929.. . . . .	642,022,000
1930.. . . . .	445,916,000
1931.. . . . .	296,323,000
1932.. . . . .	272,738,000

It is at once apparent that the agricultural people of these three provinces have suffered a diminution of approximately 67·6 per cent of their purchasing power in the five-year period, 1928-1932. Their inability to purchase the ordinary necessities of life and the equipment necessary in the operation of their farms has contributed much to the difficulties experienced by the factories of Canada in the same period, and has meant a material reduction in the amount of commodities hauled by our transportation companies. These two facts, in turn, have meant substantial additions to the number of unemployed in Canada, resulting in additional heavy burdens being imposed upon governments.

It may be argued with some force, I think, that the reverse of this is equally true and that the restoration of the purchasing power of the agricultural people of Canada will do more than any other single factor to again stimulate industry generally and secure employment for many of those now unemployed. This, sir, is perhaps the greatest problem. I wish to suggest that it should receive the attention of your committee.

Manitoba farmers are asked to-day, in common with the farmers elsewhere in Western Canada, to reduce their production of wheat. The present world's surplus of wheat has been largely accumulated in the last few years. But it should be noted that wheat production in the Province of Manitoba has steadily decreased since 1915, as will be clearly indicated in charts which I shall submit for your consideration. On the other hand the combined acreages sown to oats and barley, as will also be indicated, have not been reduced, but show substantial increases.

Farmers have been encouraged to market their coarse grains in the form of livestock, and the urge to do so is now being particularly stressed because a considerable outlet for our livestock is available on the British market. Particularly is this the case with hogs.

If we must now further decrease our acreage in wheat, livestock production in any western farm program is more fundamental than ever before. Especially is this true if possible surpluses in wheat must be marketed through livestock.

The farming situation becomes increasingly difficult if, with a forced reduction in wheat production, we cannot procure for our livestock producers sufficient to compensate them for the costs of their labours. The relationship of price to production is well illustrated by a chart that I shall submit, indicating the decrease in production following sharp declines in livestock prices.

Farmers are frequently urged to engage in livestock production because constant grain growing is unprofitable. Those who advocate such practices as a substitute for grain growing often attempt to justify their position by computing profits made on livestock on the basis of prevailing low grain prices, even when such price represents a loss to the farmer who produces the grain. Livestock production under these conditions may represent the lesser of two evils, but a permanent livestock policy cannot be based on a program which involves the production of grain on a losing basis.

Again, profits computed on steer feeding are generally based on the buying of feeders at sacrifice prices; for example, last fall light weight cattle were sold on our public markets at prices ranging as low as \$10 and \$12 per head. Will any one suggest that cattle can be raised to weigh 600 or 700 pounds at a cost of \$10 or \$12? Without any regard to the cost of raising the animal and the pasturage, the cost of hay alone for wintering it would equal the \$12 received for it.

It is very apparent that any computation of profits on such a basis is entirely erroneous and cannot lead to the successful establishment of the livestock industry. Rather would I suggest that the same methods of cost accounting followed by other lines of business be applied here, so that farmers and all others may ascertain what can be produced profitably. Nothing short of this will ever place farming on a sound business basis.

Yet even in face of these uncertainties great progress has been made. The total production of beef cattle, swine, and sheep, of the three western provinces, in comparison to our total Canadian production, is as follows:—

	Three Western Provinces	Balance of Canada
Beef cattle.. . . .	56%	44%
Swine.. . . .	50%	50%
Sheep.. . . .	40%	60%

Manitoba farmers are annually planning more and more to adjust their grain acreage to meet the needs of their livestock production program. Two major reasons for this gradual change in farm practice are the low financial returns from straight grain growing and the difficulty they have experienced in weed control. Coupled with these two reasons is the recognition of the constant drain upon virgin soil fertility from continued grain growing. Manitoba farmers have been forced by stress of circumstances to milk cows in order to secure a cream cheque to obtain the bare necessities of life. That, briefly stated, is the back ground responsible for the present position of the average Manitoba farmer and his outlook on his program of production.

May I read into my memorandum here, Mr. Chairman, a letter I received from a farmer living at St. Norbert, Manitoba. This is in the vicinity of Winnipeg, and it outlines the general picture I am trying to set forth. This letter is dated April 10, 1934, and is addressed to myself, it says:—

Reading that you were going to Ottawa to represent western farmers before the Stevens' Committee it occurred to me that some of my experience might shed light on the picture.

As you know, my farming activities have been in the direction of producing quality hogs—(I have had as many as 200 pure-bred Yorkshire at one time)—growing seed grain and garden produce.

I have grown no wheat for three years as even with the premiums obtainable for good seed, it is not sufficient to pay production costs, especially during the period when we were only allowed to realize in Canadian currency two-thirds of the value of the British pound which was paid for our wheat and on which discounted value the price was



based. I presume the same basis was used to determine hog prices in Canada notwithstanding the very small percentage exported. A year ago I fed 140 head and the following figures tell the story:—

On February 3, 1933, I sold 13 head at \$2.85 per 100 pounds.

On February 7, 1933, I sold 14 head at the same price,  
70% grading selects.

On the same day I went in to a retail butcher shop to inquire the price of pork and was quoted 13 cents per pound for roasts or chops. Remarking that I had just sold some live hogs at \$2.85 and that the price seemed disproportionate, the butcher agreed, but maintained that it was the abbatoirs—the “big fellows” who were responsible.

On February 14, I received \$3 per 100 pounds for 20 head.

On March 13, I received \$4.25 per 100 pounds for 32 head.

At those prices I did not receive the value of the feed consumed, and the pleasure of their company did not compensate for six months' care and labour.

*By Mr. Sommerville:*

Q. Even with selects?—A. Even with selects.

Vegetable prices to farmers for some time have also been below the cost of production and compared with retail prices, most unfair. I sold three tons of parsnips last month at \$10 per ton, the highest price obtainable from any dealer, which will barely pay wages for harvesting and storing. On July 4 last I sold 265 pounds green peas at 3 cents per pound, which retailed at 3 pounds for 25 cents. On July 6, 345 pounds at 2 cents, selling at 4 pounds for 25 cents, and on July 8, 400 pounds at 1½ cents, selling at 6 pounds for 25 cents. At the same time I sold beets put up in bunches of 6 at 1¼ cents per bunch, which retailed at 3¼ cents per bunch. I have sold ripe tomatoes at 4 cents per pound, which were leaving the store at 10 cents per pound before I got my check cashed.

I have been growing several thousand bushels of potatoes every year, which I used to deliver to the store, emptying them in their bins. Then they wanted them put up in 90 pound bags, sometimes in 60 pounds, when special sales were advertised, the bags being exchanged or returned. For the last two years they insist in addition that the farmer furnish the bags, which means that he does all the work of merchandising, except distribution. Sometimes the bags cost nearly 50 per cent of the net price received for the potatoes. On May 9, 1932, I delivered 72 bushels in 72 bags, for which I received 20 cents each. The bags cost 6 cents each, leaving me 14 cents per bushel, and they were retailed at 30 cents.

The condition of the vegetable market here seems to be growing steadily worse and the tactics employed by some of the produce dealers are to my mind most reprehensible. This is particularly true in the fall of the year when very many, especially the foreign born who have no storage accommodation, bring in large quantities which they must sell or lose by frost damage. No interest is manifested in anything that is offered in the early part of the day. Towards evening, faced with the prospect of taking the load home again, a price is accepted that is ruinous to producers and much below what the general public are able and even willing to pay. The Vegetable Growers' Association has made



an effort to stabilize prices but the extension of good highways and the advent of motor trucks has made the area supplying the city now so large, it is difficult to effect a remedy.

Trusting to see you sometime soon and that this may be of some value to you,

I am, Yours truly,

(Signed) T. TURNBULL.

I come now to a discussion of the charts. This first chart is really intended to indicate the trend in cereal crop production. The top line (solid line) shows the trend in wheat production from 1915, down to 1933 inclusive, and indicates a shrinkage in the volume of acreage devoted to wheat production. The second line (short dash line) shows the tendency in oat production; and the third line (long dash line) shows the tendency in barley production.

*By Mr. Sommerville:*

Q. Is this for the Prairie Provinces?—A. It applies to the Province of Manitoba only.

The trend of this production is well illustrated in Chart No. 1. This chart presents acreages seeded to wheat, oats and barley in the years 1915 to 1933 inclusive. The relation between these three cereal crops in 1915, as compared with 1933, is as follows:

	1915	1933
Wheat. . . . .	3.6	2.4
Oats. . . . .	2.1	1.6
Barley. . . . .	1.0	1.6

*By Mr. Kennedy (Winnipeg):*

Q. Do these figures show the relationship between these three cereal crops in 1915, as compared with 1933; what does the 3.6 and so on show?—A. It is not 3.6 of anything; it is just a relative number.

*By Mr. Sommerville:*

Q. Yes. The decrease is from 3.6 to 2.4; or decrease of about 30 per cent?—A. In wheat, the decrease in wheat was from 3.6 in 1915 to 2.4 in 1933; this is just a yardstick by which to indicate relative values.

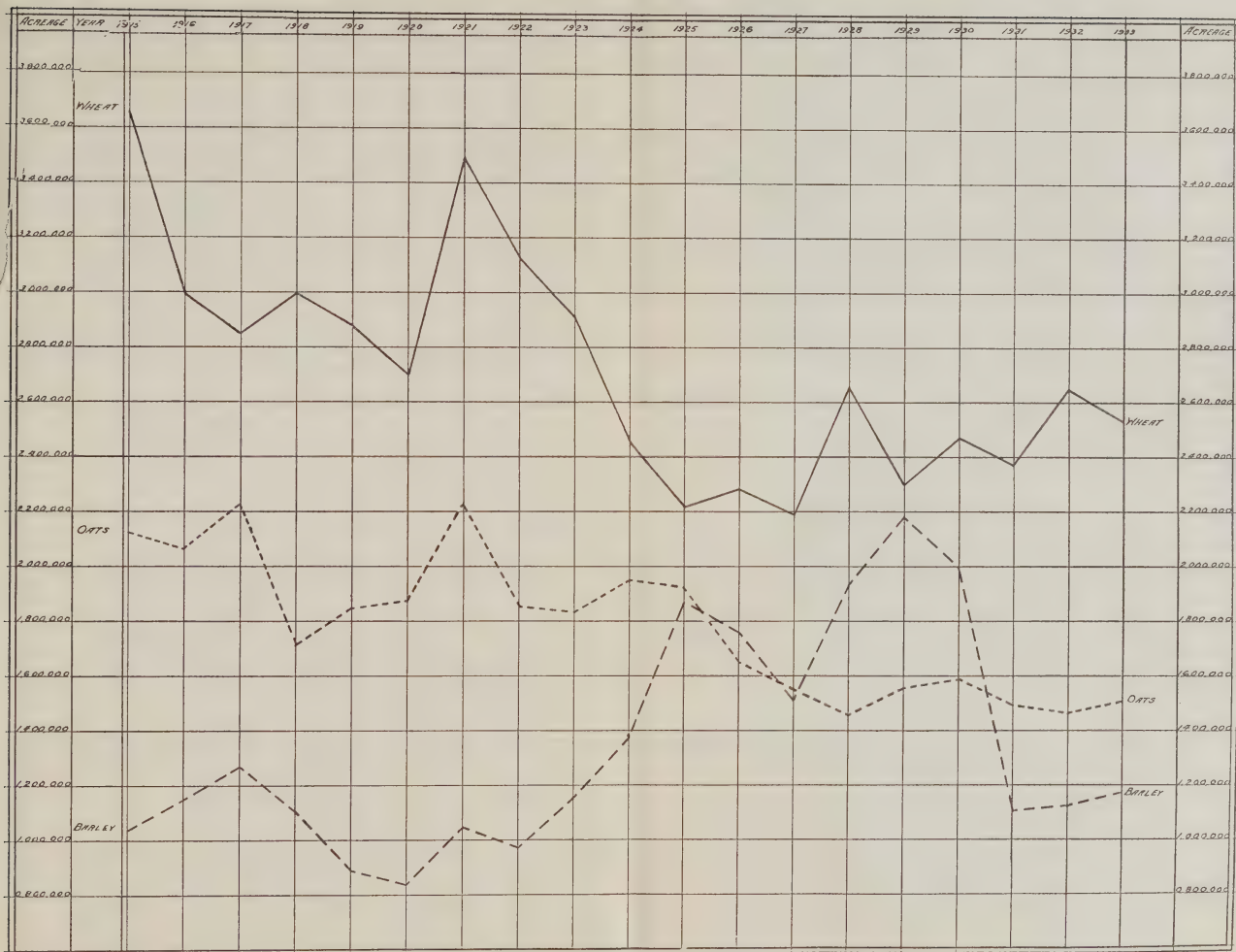
*By Mr. Kennedy (Peace River):*

Q. It applies to the figures on the chart?—A. Yes.

A decrease of over one million acres in a total acreage seeded to grain, amounting to 15 per cent. This decrease has occurred entirely in acreage seeded to wheat. This being so—and the present trend is to accentuate this difference in acreage seeded to wheat as compared with acreage seeded to four strains—the importance each year of livestock on Manitoba farms is obviously becoming increasingly apparent.

That will be further emphasized in the second chart. (Chart No. 2, indicating Numbers of Cattle, Sheep, Swine, and Cattle, Sheep and Swine combined, Manitoba—1915-1933 inclusive). The top line indicates the total livestock—cattle, sheep and swine—for the same period, rising from this point (marked 1,000,000) on the chart up to that (a point on the upper right hand side just under the number 1,300,000). This shows a general trend upwards in livestock production corresponding with the trend downwards in cereal grain.

# ACREAGES WHEAT, OATS AND BARLEY SOWN IN MANITOBA. 1915-1933 (inclusive)



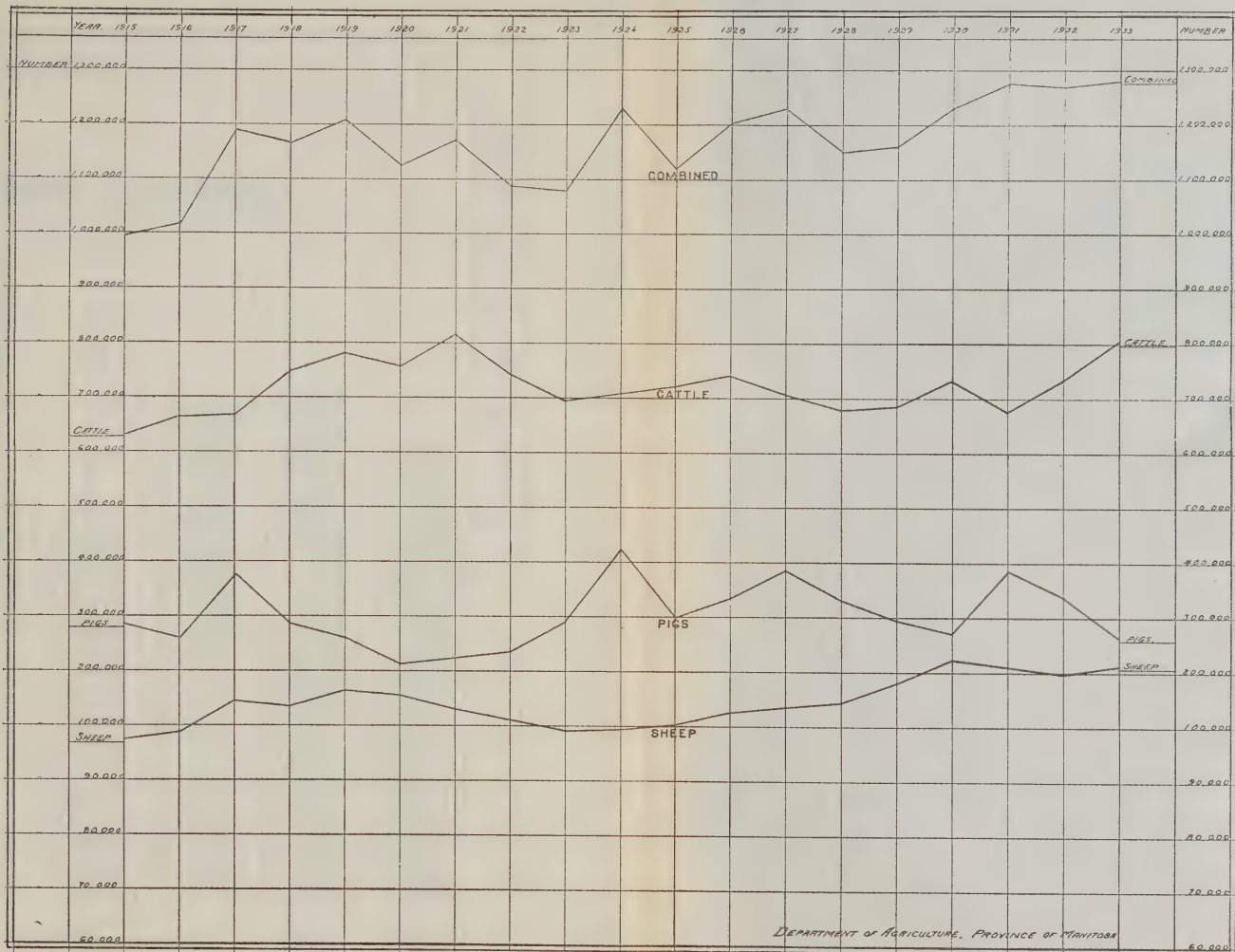
DEPARTMENT OF AGRICULTURE - PROVINCE OF MANITOBA





## NUMBERS of CATTLE, SHEEP, SWINE, AND CATTLE SHEEP AND SWINE COMBINED, MANITOBA

1915-1933, INCLUSIVE



DEPARTMENT OF AGRICULTURE, PROVINCE OF MANITOBA









*By the Chairman:*

Q. Between the years 1915 and 1933?—A. Yes, the same years. Then there is the "cattle" line, the second line, which is comparatively steady; the third line indicates "hogs," and there is more variation; the fourth line shows sheep, and there the trend is apparently fairly regularly upwards.

*By Mr. Sommerville:*

Q. And the line for cattle is also fairly regularly upwards?—A. Fairly regularly.

Chart 2: The top line of Chart No. 2 illustrates totals of Manitoba cattle, swine and sheep. Horses have not been included, since there is a shortage of horses for use as farm power and horses present no marketing problem. Supply and demand, with an open competitive market, is making horse production profitable and farmers are breeding more mares to satisfy this demand. The return from the tractor to the horse as a source of farm power is the reason for a shortage in horses and will add to the reasons given in support of changes illustrated in Chart No. 2 why there will be a continued increase in acreage seeded to oats. That is to say, the increase in horse population is altogether likely to accentuate the increase in oat production. On the other hand, Manitoba's combined total of cattle, sheep and swine is 287,000 head over 1915 totals, an increase of 28 per cent, in our total livestock production. These increases are not the result of war time prices. They are the result of a growing recognition that livestock are an indispensable part of any permanent farm program for reasons already given.

*By the Chairman:*

Q. You submit that, I presume, evidence that your farmers are earnestly trying to take advantage of livestock production as against the old tendency for straight grain?—A. Quite positively, sir.

The second line deals with cattle. The trend of this line is fairly gradual, but mostly upward. 1933 represents an increase over 1915—the initial year of the graph—of 27.5 per cent. This increase is not spectacular, but is steady and appears to be on a fairly permanent basis.

The third line deals with swine. It fluctuates conspicuously, production varying in sympathy with prevailing market prices. One would logically conclude from this chart that farmers can and are anxious to produce hogs. The sudden increase in sows bred during periods of peak prices is proof of this statement. The hog population in Manitoba has represented much higher totals than our 1933 figures. Low price levels, coupled with sudden and unexplainable fluctuations in price, periodically make hog production unprofitable and invariably destroy public confidence. The desire to produce hogs is ever present, but erratic price fluctuations not only destroy confidence, but create fear bordering on panic among producers. I shall make further and more detailed reference to this later.

Manitoba's sheep population in 1915 was 76,577 whereas in 1933 it was 212,800, an increase of 178 per cent. While this percentage increase is extremely imposing, viewed in terms of actual figures it does not remotely suggest overproduction. Manitoba can still increase its lamb production considerably without very seriously affecting the total sheep production of Canada.

Chart 3. We now come to Chart No. 3, which shows "Hogs Produced and Marketed 1923-1933." This, Mr. Chairman, I think is a rather interesting chart, and just as a preliminary to the discussion in the memorandum, I would say that the columns here on the left-hand side of the chart—the parallel columns—represent the annual yearly production of hogs. The solid line across

the centre of the page indicates the fluctuation in price levels, and if you will notice, production follows very closely the fluctuation in that price line; as prices go up you get an increase in production, and as prices go down you get a decrease in production.

*By Mr. Kennedy (Winnipeg):*

Q. They respond very quickly?—A. They respond very quickly, and they follow these price fluctuations.

Q. Much more quickly than cattle?—A. Yes. Then the double bars in the centre of the column indicate the percentage that goes to packing plants, and the percentage that is sold through the general market.

Q. Which is which?—A. The column on the left hand side,—the lower portion,—indicates the percentage each year that is going direct to the packing plants; the upper portion of the column indicates the proportion that is sold through the public yards. Then the column to the right hand side in each year indicates the progress made in quality production. The lower portion indicates the percentage of selects; the middle portion indicates the second grade in hog production, or bacons; and the upper portion, the other grades.

Q. Just to be quite sure that the notes are right; this graph number 3 covers what years?—A. 1923 to 1933.

Q. And the other graphs were for the years 1915-1933.

The CHAIRMAN: Are you quite sure of that, I thought they were all the same; I beg your pardon, you are quite right.

This chart deals exclusively with production and marketing of hogs in Manitoba, 1923 to 1933, inclusive.

On the left side of the chart is indicated, by vertical columns, yearly production of hogs. The variations in production shows a remarkably close relationship to price levels. 1933 production is the lowest of any year recorded on the chart. The body of the chart gives the total marketings of hogs under two columns, "A" and "B." In column "A" the lower portion gives the volume shipped direct to processing plants, while the upper portion indicates the volume marketed through the public stock yards.

You will note the gradual increase in the volume shipped direct to processing plants. The parallel column indicates the volume in the various grades. Here, it will be noted, that there is a steady improvement in quality throughout the period indicated on the chart. There is quite a considerable improvement as shown across the chart.

The solid line which traverses the chart gives average prices paid annually per hundredweight for all grades of hogs marketed through the Union stock yards, St. Boniface, Manitoba.

To summarize. Column "A" shows that, whereas there was only 21.1 per cent of the marketed hogs which reached processing plants direct in 1923, 50.05 per cent of the hogs marketed in 1933 were shipped direct to processing plants. I shall give some of the expressions of opinions for the growth in direct shipments to plants later on.

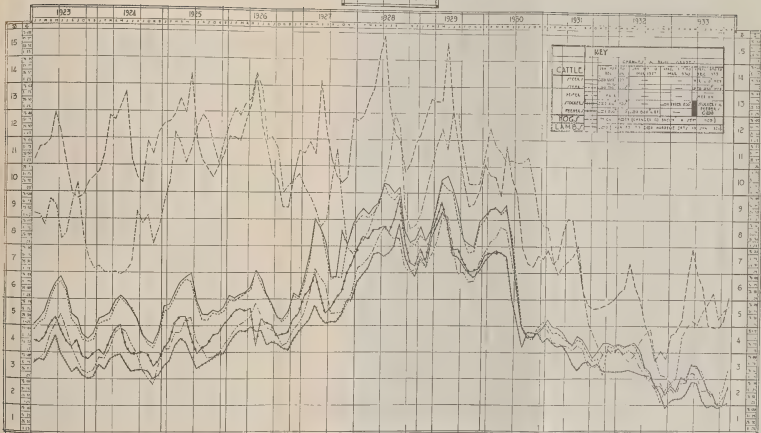
Column "B" indicates a steady improvement in quality notwithstanding variations in production and prices paid. It is significant that prices range from \$12 per cwt. in 1926 to \$3.60 per cwt. in 1932, a decrease of approximately 70 per cent or, submitted in another way, the price paid for hogs in 1926 is nearly 3½ times as great as the average price paid in 1932.

*By Mr. Young:*

Q. I notice the number of bacon hogs increased materially up till 1929, and then it dropped. In 1930 they were down, and then began to increase. What is the reason for that?



# AVERAGE MONTHLY PRICES OF CATTLE, HOGS & LAMBS 1923-1933.



DEPARTMENT OF AGRICULTURE, PROVINCE OF MANITOBA



Mr. SOMMERVILLE: In the proportion of production you will notice the whole production decreased.

The WITNESS: Your total production goes down. There is another difference, too. There was a change in the grade.

Mr. ILSLEY: I do not see how you can make a chart for 1931, when the thick smooths were divided.

The CHAIRMAN: It seems to me to be rather strikingly illustrated there, when the thick smooths were taken out of bacon and put into lower grades. When that happened a large differential applied. There seems to be quite a narrowing of the bacon hog type, which received a higher price.

Mr. ILSLEY: What did they do with the fixed smooths?

Mr. SOMMERVILLE: They were taken out. A standard price was put on the bacon variety. It is down there. They made a cut on the balance, which were called butchers. You will observe a reduction on butchers. Butchers greatly exceed the quantity of selects.

*By Mr. Senn:*

Q. As a matter of fact, is it not true that the bacon hog to-day is practically the same as the designation "thick smooth" was before the change was made?—

A. There is a further explanation of the chart later on, which I shall give you on that.

This gives the average monthly prices paid for certain classes of beef cattle, sheep and swine during the years 1923 to 1933 inclusive. The top line deals with the prices of good lambs, and you will notice there appears to be a certain degree of regularity each year as to where the peak prices come on the lambs.

The top line of the chart—deals with prices of good lambs. The high point is reached in June, 1928, with \$14.20 per cwt., whereas the lowest point is reached in 1932 (October) with \$3.64 per cwt.

During each year it will be noted the peak prices occur during May and June, illustrating market reaction to supply and demand, whereas correspondingly low prices occur generally during the fall months.

Q. The prices you are quoting are on the Winnipeg market?—A. All on the St. Boniface market. This is attributable to over burdening of the domestic market during the fall months, and a corresponding scarcity during May and June, arising from the previous fall liquidation.

This is largely a domestic marketing problem and not to any serious extent a reflection of world price levels. Another factor, however, does affect price levels, namely, the relative market values in the fall of beef, pork and poultry. The consuming public is quick to discern differences in prices asked for different classes of meat and poultry and transfers its purchasing from one class of meat to another on the basis of prices asked. And to that extent there is a close sympathy between price levels of the classes of livestock dealt with in this chart. This fact is very clearly illustrated on this chart.

The second line—illustrating hog prices for thick smooth (which grade was changed to bacon in September, 1929) is more erratic. I do not know whether you can distinguish it or not from where you are, but you will notice that there is none of that periodical peak in this line; there is not the same degree of regularity. There is a very interrupted line, with neither rhyme nor reason for it. Here, prices, as already stated, extend from a peak of \$14.46 per cwt. in June, 1926, to a low of \$2.85 in January, 1933.

The hog market is influenced by market trends outside the boundaries of Canada. Furthermore, the prevailing rates of exchange of money are also a contributing factor. Even allowing for these two forces beyond Canadian control, the charted fluctuations do suggest very definitely that the fluctuations have been



more extreme and sudden than could be attributed solely to fluctuations on either foreign markets or rates of exchange. I shall refrain from further comment here on fluctuations until another chart (No. 5) is presented, which deals with weekly fluctuations.

The remaining lines on the chart deal with the classes of cattle which represent the bulk of marketing.

*Cattle.*

(Blue) steers — good —	over 1,000 lbs. to 1,200 lbs.
(Green) steers — good	" 700 lbs. to 1,000 lbs.
(Yellow) heifers—fair	
(Purple) stockers—good	" 450 lbs. to 800 lbs.
(Buff) feeders — good	" 800 lbs. to 1,000 lbs.

Might I just draw your attention for a moment to a rather interesting fact. The solid line and the dotted line, you will notice, run almost parallel all the way through, the solid line representing steers weighing 1,200 lbs. and the dotted line representing good steers, in both cases, 700 to 1,000 lbs. I mention that, sir, only for one reason. The farmers to-day in the west, at least, are being persuaded to grow what they call baby beef or good animals up to 1,000 lbs; and the incentive held out is that it sells better than the heavier weight steers. Yet a study of the records has revealed, as the chart indicates, that the price for the heavy steers slightly exceeds the price paid for baby beef practically all the way through.

*By the Chairman:*

Q. Good finished steers?—A. Good finished steers in both cases.

Q. The chart covers the period from 1923?—A. Yes.

Q. The tendency for baby beef is more recent than 1923; it would start about 1929 or 1930, would it not?—A. Yes, that is true. If you read across the line you will find that to be so.

Q. I notice that, and it is rather a striking fact?—A. We were amazed ourselves, when we discovered it.

Q. Your point is the chart shows clearly that baby beef or light well finished baby beef parallels the heavy well finished steer?—A. Quite so.

*By Mr. Kennedy (Winnipeg):*

Q. Insofar as price is concerned?—A. As indicated here, they run almost parallel.

*By Mr. Kennedy (Peace River):*

Q. The weight of these animals runs up to 1,200 pounds?—A. From 1,000 to 1,200 pounds.

*By Mr. Senn:*

Q. They are really export steers, are they not?—A. Most of them would be, by reason of the fact that they are well finished.

The CHAIRMAN: I think the point is well worth noting. Mr. McKenzie is drawing attention to the cold facts, showing that the prices do not vary as between the heavier steer and the lighter, so-called baby beef.

Mr. KENNEDY (*Peace River*): This would be the finished heavier steer.

The WITNESS: Yes. I may just interject here that in the conference we had in our own province last fall, at which were representatives of all the interests concerned with the marketing of livestock, the packers at that conference emphasized rather strongly the fact that the farmers should produce more baby beef.

*By Mr. Senn:*

Q. Suppose the market for export cattle were suddenly to be cut off, what would you say would be the result in the cost of baby beef? It is commonly understood that baby beef commands a higher price, beyond any question?—A. I think in that case the price of all beef would go to a point where there would be no profit—

Q. The fact that heavier beef to-day is commanding as high a price as baby beef, is probably due to the fact that we are exporting cattle, is it not?—A. It may be, but I think in both cases—

Q. Because of the cattle that fills the export trade?—A. I think in both cases the premium secured is by reason of the quality of the beef.

The CHAIRMAN: Mr. Senn, a reference to the chart would rather contradict that view, because in 1929 and 1930 there was practically no export at all, and yet the lines synchronize. Two years ago, 1931 and 1932 the export was very light, and yet the lines synchronize, just the same as they did last year. However, that is a very interesting point.

*By Mr. Kennedy (Peace River):*

Q. What governs the production of baby beef?—A. I imagine it is based on the satisfaction of a demand.

*By Mr. Factor:*

Q. Do you get a higher price for it?—A. No higher.

Q. Popular opinion is that baby beef is supposed to be more expensive?—A. I think probably that is true in respect of retail prices; but it might arise partly from the fact that small families to-day are asking for smaller cuts of well finished beef.

The classification or grading of livestock on public markets during the period under review was altered on several occasions. However, the price lines have been continued throughout by a joining up of comparable grades.

In March, 1927, the classification of stockers and feeders changed to "stockers" (good under 800 pounds) and "feeders" (good) 800 pounds and up. Again in March, 1930, the classification of these grades was changed and for charting purposes average monthly prices of "stockers and feeders" (good) are used.

Likewise in April, 1930, the classification of steers, heifers and stockers and feeders changed and for comparable purposes the average monthly price of steers, medium, over 1,050 pounds, steers, medium, up to 1,050 pounds heifers, medium and stockers and feeders (good) are charted and joined to the grades used at the outset of the chart.

Hog grades were revised in 1929. Consequently from September, 1929, the average monthly price for bacon hogs is charted.

While Canada has a small annual exportable surplus of cattle, this exportable surplus undoubtedly exercises an influence on domestic prices. Losing the United States market for stockers and feeders has no doubt had an influence, not only on stocker and feeder prices, but relatively on prices of all beef cattle offered for sale. Additional markets always tend to more active competitive buying and generally serve to maintain, if not raise, price levels. Cattle prices are victims of much the same seasonal offering which occurs in lamb marketings and for much the same reasons.

Again I say, on the chart you will notice there is a certain degree of regularity each year as to when the peak price in cattle is obtained.

One does not reasonably expect prices for any commodity to remain constantly at definite specific levels. All markets normally react to supply and demand. The disturbing element in the market fluctuations on livestock prices

is their sudden and, quite frequently, drastic changes in prices, either up or down. These sudden changes are not understandable to the primary producer and frequently destroy his confidence in our marketing machinery.

This chart illustrates the weekly fluctuations in prices on bacon hogs over a five-year period, 1929 to 1933, inclusive.

*By Mr. Sommerville:*

Q. Weekly fluctuations?—A. Weekly fluctuations. In face of the tremendous fluctuations you can appreciate some of the difficulties the departments of agriculture have in trying to stimulate a hog production program.

The CHAIRMAN: You will explain that?

The WITNESS: Yes. I may however, add this, Mr. Chairman, that the shaded operations indicate the weekly fluctuations in prices. Admitting the fact that general price curves during these years on a large number of Canadian produced commodities would very closely coincide with the lines on this chart, it must be admitted that the weekly fluctuations, as represented on this chart, are somewhat extreme and severe. Farmers cannot understand why hogs should vary in values to the extent the charts indicate they have done, when much of the raw material is processed and not offered to the consumer for some weeks following the purchase of the live hog. These sudden fluctuations also affect the quality of hogs marketed and are responsible for much of the offerings of unfinished hogs on our markets. Here again we have the element of fear entering in. Particularly is this true during these difficult times, when small amounts of money mean so much to the farmer. Canada's failure to raise enough hogs to satisfy the provisions of the British quota can very largely be attributed to these fluctuations, and the lack of confidence which the producer has in our marketing practices. The farmer deals with the live forces of nature.

*By Mr. Sommerville:*

Q. The fluctuations apparently are not dependent very largely upon the old country markets—A. Apparently not.

Q. You found your fluctuations were very striking at the times when there was practically little going there?—A. It is just as striking in 1929, for instance, as it is since we have got entry to the British market.

Q. At the period of 1929, when you had a period of prosperity and before you had access to the British market, you had fluctuations that are very striking?—A. At least just as violent.

Q. Just as violent as they are to-day? Would that indicate to you any kind of local manipulation? Just speak your mind right out, Mr. McKenzie.—A. Well, I hesitate only for the fact—

*By Mr. Factor:*

Q. Perhaps I might just interrupt before you answer that question; have you any chart to show the price of processing locally, and are there any such lines of fluctuation in it?—A. Well, sir, we have not concerned ourselves past the primary producer. We felt this committee had much better opportunities to get information of that character than we had in our own Department of Agriculture.

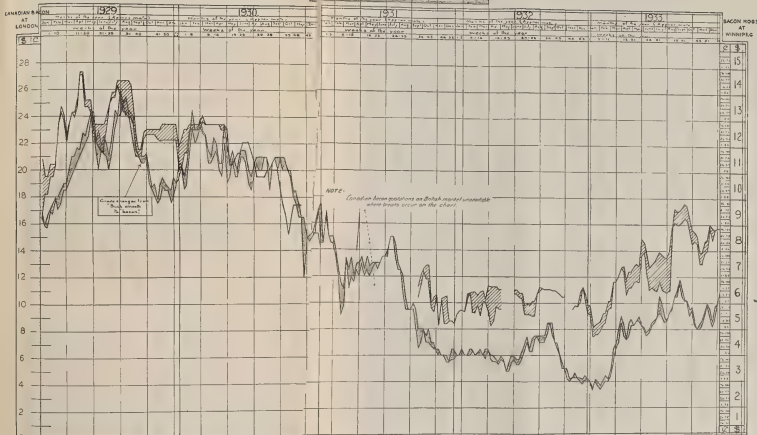
The CHAIRMAN: What would be an interesting thing would be to transpose into that chart the finished process. We will see if we can get that done. We might be able to do it.

Mr. FACTOR: The British price of bacon?

The CHAIRMAN: Yes. We might be able to do that.



WEEKLY FLUCTUATIONS IN THE  
PRICES OF BACON HOGS IN WINNIPEG AND  
CANADIAN BACON IN LONDON  
1928-1935



(Note.—The line indicating the fluctuations in prices on the British market was added to this chart by the Bureau of Statistics at the request of the Committee).



*By the Chairman:*

Q. You were going to say something in the way of answering a point raised by Mr. Sommerville, going to express your view as to what accounts for that; if you have any, I certainly would like to hear it?—A. If you will take it only as an expression of opinion, and something that I could not perhaps prove, we do feel that there are certain influences operating that tend, at least, to influence price levels quite definitely.

Q. You mean arbitrary?—A. Arbitrary.

Q. Without necessarily being related to marketing factors?—A. Yes. And I say, I could not absolutely prove that, but it is an opinion that I hold quite strongly.

Q. Would you say that that was the buying influence on the market?—A. It could be none other.

Q. One other question there: What is the dominating buying influence on the Winnipeg market?—A. Oh, the outstanding buyers, of course, in the Winnipeg market are the packers.

*By Mr. Sommerville:*

Q. How many?—A. There are three large concerns in Winnipeg.

*By the Chairman:*

Q. Who are they,—the Canada Packers?—A. Canada Packers, Swifts and I think it is the Western.

*By Mr. Kennedy (Winnipeg):*

Q. While you are on that point, Mr. McKenzie, with reference to this so-called arbitrary control of prices, is it more noticeable since the amalgamation of a number of packing plants, or have you any observations to make as to that?—A. Well, Mr. Kennedy, I could not express any opinion, because I was not very closely tied up to the agriculture department previous to that amalgamation.

Q. You might be able to interpret that chart to indicate that?—A. The chart would indicate that it was.

MR. SOMMERVILLE: The merger took place in 1927.

MR. KENNEDY (Winnipeg): Let me get this, please.

THE WITNESS: Just as Mr. Sommerville suggests, this only goes back to 1929.

MR. KENNEDY (Winnipeg): Oh, I see.

*By Mr. Senn:*

Q. Mr. McKenzie, I would like to ask a question: Do the low prices coincide with a heavy run of hogs?—A. I don't think that necessarily follows, although perhaps in many cases that is true.

Q. There is an impression among the farmers, of Ontario at least, that that does prevail to a certain extent?—A. I suppose to some extent it would be true. It would be natural with a heavy run of hogs, particularly if the market for those hogs was limited.

*By the Chairman:*

Q. All right, Mr. McKenzie, will you continue with your brief?—A. Yes.

Prior to presenting chart 6, which deals with the return which the primary producer receives in relation to the total sales price for his stock, I desire to submit the report of the select standing committee on agriculture and immigration of the legislative assembly of Manitoba:—

The select standing committee on agriculture and immigration, being instructed by resolution of the legislative assembly of Manitoba to in-



quire into ways and means of rendering assistance to the select standing committee of eleven members of the Dominion House of Commons, who are now conducting such an investigation, begs to present to this house the following report:—

At the first sitting of the committee it was decided to approach the Department of Agriculture of the province of Saskatchewan and Alberta, through the Minister of Agriculture and Immigration for Manitoba, Hon. D. G. McKenzie, to arrange a joint presentation of the livestock producers' case before the Ottawa committee above referred to.

The suggestion was acquiesced in by Saskatchewan and Alberta, and the meetings have been held in Regina and Saskatoon of representatives of the three prairie provinces to discuss the preparation of a joint representation.

Your committee has canvassed the merchandising practices in the selling of livestock, and the Department of Agriculture and Immigration has had prepared for submission to the Ottawa committee charts illustrating pertinent phases of the production and marketing of livestock in Manitoba. These charts are based, in part on evidence submitted at hearings of your committee, and in part on records of shipments of individual farmers, as well as on statistical records prepared by the Dominion Bureau of Statistics.

Arising out of the general evidence submitted the committee recommends that the following phases of the merchandising of livestock should be carefully reviewed by the Ottawa committee, in the hope of arriving at some means of adjustment where conditions warrant.

1. General reduction in all handling and feed charges at public stock yards.

2. Application of provisions of The Live Stock and Live Stock Products Act (Dominion) to all licensed abattoirs in their purchasing of livestock.

3. Licensing and bonding of all drovers, shipping agents and packer buyers.

4. Reduction in minimum weights on carloads of swine, sheep, and also on mixed cars of cattle, sheep, and swine.

5. Establishment of an export freight rate on shipments of all livestock for export.

6. The extension to Western Canada of the "Feed in Transit" rates now in force in Eastern Canada.

7. An investigation into possible causes of violent price fluctuations and their relationship to competitive buying and selling as well as to the law of supply and demand.

8. Influence, if any, of massed purchasing on prices paid by processing plants for live animals.

9. Influence of retail prices on consumptive demands.

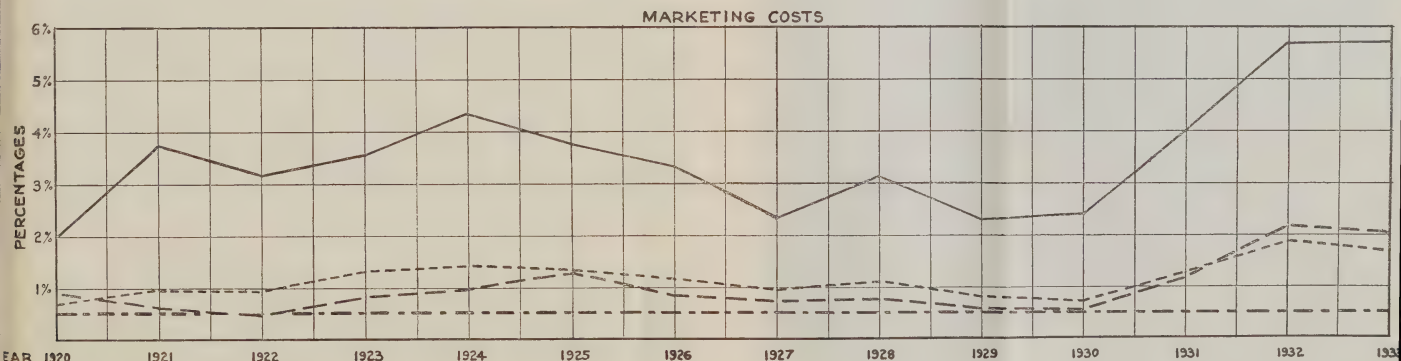
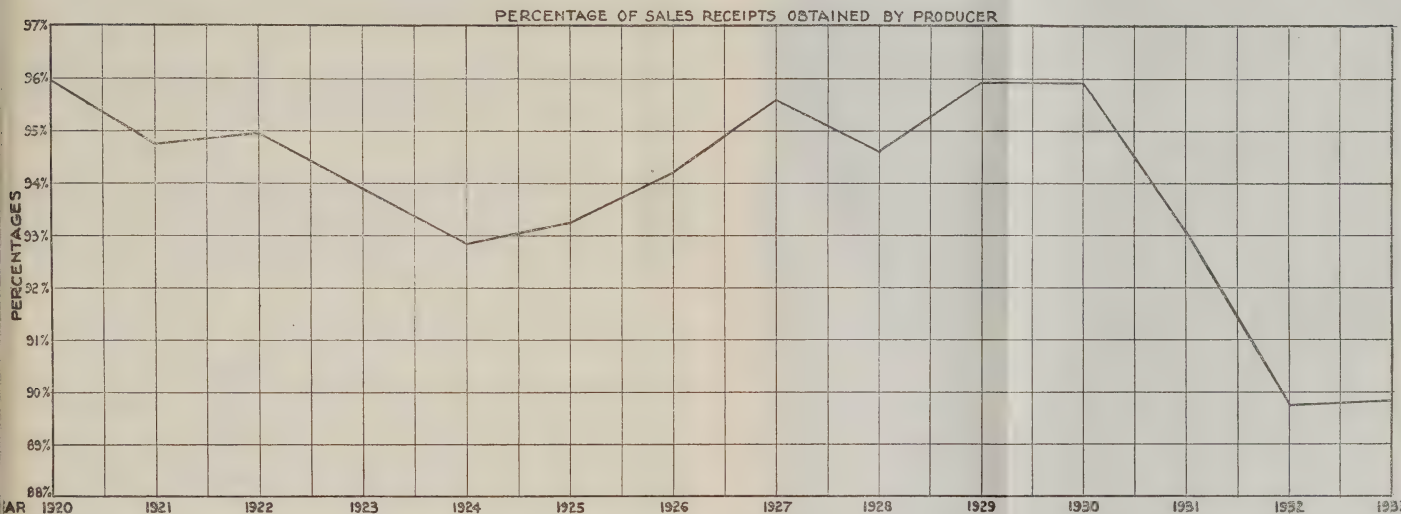
The Committee further recommends consideration of the feasibility of the establishment of a permanent national marketing board. Such a body could, we believe, serve a useful, nation-wide purpose, e.g., in fact finding, co-ordinating and stabilizing production programs to domestic and exportable requirements and, in addition, exercise a wholesome influence on merchandising practices.

The Committee expressed its appreciation of the services rendered to the livestock industry by those who appeared to submit evidence, by our

FREIGHT  
FEED, YARDAGE & INSURANCE  
90% STAMP TAX & COMMISSIONS (AGENTS)  
PACKERS CONDEMNATION INSURANCE

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PROVINCE OF MANITOBA DEPARTMENT OF AGRICULTURE  
CHART SHOWING 65 TYPICAL SHIPMENTS OF LIVE STOCK  
FROM MANITOBA POINTS TO UNION STOCK YARDS ST BONIFACE MAN.  
BETWEEN THE YEARS 1920 & 1933







Department of Agriculture and Immigration, and by the Manitoba branch of the Canadian Live Stock Co-operative Western Limited, in having presented their case before the Ottawa Committee.

It was unanimously agreed that the Hon. D. G. McKenzie, Minister of Agriculture and Immigration, should appear before the Ottawa Committee to represent the livestock producers of Manitoba and present their case.

You will notice that the first recommendation was for a general reduction in all handling and feed charges at public stock yards.

That is set out in the last chart that I have (Chart 6). These lines are only relative.

*By Mr. Sommerville:*

Q. This is a chart showing 65 typical shipments of livestock from Manitoba points to the Union Stockyards at St. Boniface, Manitoba, between the years 1920 and 1933?—A. Yes. The top line indicates the net return to the producer and the bottom lines indicate the relationship of costs to the returns that the producer gets. These lines are only relative. You will notice that as the price goes down, the cost of marketing goes up, relatively.

*By Mr. Young:*

Q. That is to say, the cost of marketing is an unyielding factor?—A. Yes.

*By the Chairman:*

Q. Let me get that a little more clearly; you say the top line represents the price received?—A. By the producer.

Q. That is the price received by the producer. Then the bottom line is what?—A. That is freight cost.

Q. Freight cost?—A. It is freight cost, commission cost and yard costs.

Q. Why should freight cost fluctuate as this shows?—A. The freight itself does not fluctuate, but the relationship of freight costs to what the farmer receives fluctuates.

*By Mr. Sommerville:*

Q. This is a percentage basis?—A. Yes.

Q. It is not based on the actual value?—A. No. It just shows the relative cost of marketing as compared to the changed price the producer gets.

Q. If marketing and freight charges were based upon a proportion of the price, this picture would reflect what the producer gets in the net return?—A. Yes.

Chart 6: This chart represents the average of 65 shipments of livestock by Manitoba farmers. No attempt has been made to select shipments which would especially coincide with any particular market condition. These shipments originated at two of the best livestock shipping points and districts in Manitoba. I will be glad if the Chairman of this committee so desires, to deposit for his inspection the original vouchers—I have them with me here to-day.

*By the Chairman:*

Q. We will not question you on that at all, Mr. McKenzie.—A. I could furnish them, with the request that they be regarded as confidential. I ask this as the result of an undertaking given by the members of the staff of our department that the names of the shippers would not be publicly divulged. The reason for such a request by the shippers will be fairly obvious to every member of the committee, namely, fear of prejudicing their interests in future sales of livestock.

*By Mr. Senn:*

Q. This chart was prepared, I presume, before the recent reduction in stockyard charges took place, was it?—A. Yes, I think perhaps it was. It is based on the figures obtainable from the year 1920 to 1933.

Q. Have you any information or would you care to express an opinion as to whether these reductions that have taken place are ample or sufficient?—A. Well, I would say at once that I don't know just what interpretation you put on "ample," but using the word in the ordinary sense, I would say no, that the reduction in commission charges effected, in itself and translated back into terms of what it means to the producer, is hardly noticeable at all to the producer.

*By Mr. Sommerville:*

Q. The 10 per cent reduction would not be noticeable in the net returns of the producer?—A. No.

Q. It is only expressed in bulk?—A. Yes.

Q. And that bulk spread over 17,000 persons selling on that market would amount to practically nothing?—A. It would not be noticeable.

*By Mr. Senn:*

Q. On the other hand, would you care to say that a larger reduction would be justified and that the trade would bear it?—A. Well, I think if you will let me proceed I will discuss those things a little later. I have no hesitation to giving the committee my views with respect to that, but I would like to go through with this.

The CHAIRMAN: Yes, go ahead.

The WITNESS: The lower section of the chart deals with ordinary marketing charges. These lines on these charts represent relative costs and returns. I want to make this fact as clear as possible. Any percentages submitted are based on the price received for these particular shipments of livestock. In other words, we are analyzing these shippers' actual experience and not hypothetical cases.

This chart covers shipments 1920 to 1933, inclusive, the solid line represents the relation of freight charged based on minimum weights and rates, together with the unloading charges. The short dash line represents the relation of commission charges for selling, together with government stamp tax. The long dash line represents the relation of feed, public markets, yard charges and yard insurance while the long and short dash line represents the packers' condemnation charge, fixed at one-half of one per cent, which is stationary. That is the straight line across the bottom of the chart.

To illustrate: With prices received in 1920, the solid line is approximately 2 per cent of the gross receipts; the long dash less than 1 per cent; with the short dash line less than 1 per cent, and the long and short dash line one-half of one per cent. The total costs were only 4 per cent, leaving the shipper 96 per cent of his gross receipts, which is very unsatisfactory indeed. The explanation is that prices in 1920 were high enough to absorb marketing charges without unduly penalizing the producer. Based on 1924 prices, the solid line has reached  $4\frac{1}{3}$  per cent, short dash line  $1\frac{1}{2}$  per cent, the long dash line 1 per cent and the long and short dash line stationary at one-half of 1 per cent, raising the costs of marketing to over 6 per cent, and leaving the shipper less than 93 per cent for his stock. Here again we see the relationship of the marketing to sale receipts, and lowering prices accentuate the toll taken in marketing costs. In 1932, with further depressed price levels, what do we



find? The solid line has raised to  $5\frac{1}{4}$  per cent, the short dash line is just under 2 per cent, the long dash line over 2 per cent and the long and short dash line stationary. Now we find that the farmer receives slightly less than 90 per cent of his sale receipts, while the marketing charges have proportionately increased to slightly over 10 per cent. This does not mean that there has been any increase in these charges. That is not to be interpreted from this chart. The chart is intended to convey one thought only, namely, that there is no relationship between the basis of establishing these marketing charges and the price which the shipper receives, and that the lower the price levels become the more heavily these marketing costs bear upon the primary producer. In other words, when the primary producer is most badly in need of relief from marketing charges they are not forthcoming. This, I submit, is one of the prime reasons for the rapid increase in the number of direct shipments to processing plants. I am not to be understood as suggesting that this is a wise procedure and that in so doing the primary producer is in the long run saving any market costs or increasing his net returns.

The chart, I submit offers some measure of proof why it is argued that there should be a general reduction in marketing charges at our public stockyards.

The next recommendation in the report of our agricultural committee is: Application of provisions of the Live Stock and Live Stock Products Act.

When a packing plant becomes a primary market it should be subject to all regulations now governing primary markets. The provisions of the Live Stock and Live Stock Products Act, with regulations passed thereunder, were brought into being to satisfy a nation-wide demand from stock producers. Prior to the enactment of this act by Dominion parliament, each province essayed to regulate public stockyards within its boundary. Obvious difficulties occurred, due to lack of uniformity of legislation and regulation among the provinces of Canada, coupled with inter-provincial trading in livestock. It was then decided to operate stockyards under Dominion statute. Furthermore, it was deemed in the public interest to have public markets under some form of control. At that time direct shipments to plant were only a small percentage of the marketings at public stockyards—hence packing plants were not regarded as primary markets. Direct shipments to packing plants had increased to a point where 50 per cent of the hogs marketed last year in Manitoba went direct to the packing plants. I submit that, with the increased volume marketed direct through the packing plants, all arguments in favour of having public markets operated under the provisions of the Live Stock and Live Stock Products Act should apply with equal force to placing all purchases of livestock at packing plants under the same marketing act.

The third recommendation of the report which I am dealing with is licensing and bonding of all drovers, shipping agents and packer-buyers. Licensing of such buyers would be a very real protection to all branches of the livestock industry. It would prohibit irresponsible individuals indulging in "fly-by-night" practices in the handling of the farmer's livestock and would place every licence holder in the position where he could be properly and promptly dealt with if he indulged in any unethical and unfair trading practices. This is more urgently needed to-day than ever before, with the growth in the use of trucks as a means of moving livestock to market. The improvements in highway systems, coupled with the reduction in number of freight trains and with reduced tonnage, have encouraged the trucking practice.

While many of these truck operators are responsible citizens and are efficient truck operators, their experience in the handling of livestock is frequently quite limited and, since they are trading particularly in the case of direct shipments, with expert buyers, it does raise a question as to whether or not the farmer is enjoying as much protection in the sale of his stock as the packer enjoys in the



purchases his firm makes. Licensing and bonding of all drovers and shipping agents would have the effect of weeding out the irresponsible and inexperienced, and place the industry on a sounder basis. I cannot see any valid objection to this recommendation and would urge upon this committee its desirability.

*By Mr. Factor:*

Q. That would include truckers?—A. Yes.

*By Mr. Young:*

Q. Put the man on the basis of his ability to sell as well as his ability to buy?—A. Yes, it would have that effect.

Q. He would have to pass an examination?

Mr. SOMMERVILLE: You could not do that.

The WITNESS: I would not think there would be any examination, but the department would be in a position to check up on him if at any time any of his practices were not desirable.

*By Mr. Sommerville:*

Q. Just a whip, controlling his practices?—A. Yes.

Q. Not his experience?—A. No.

Q. You think if he were under licence, the possibility would exist that you would have men becoming more experienced?—A. I think so, beyond any doubt.

Perhaps I should say here, Mr. Chairman, you will notice that we are asking for a reduction in car-lot rates, but that it is confined almost entirely to sheep; the reason for that being that we wanted to be fair to transportation companies, and we do find that in many cases minimum weights on cars going to market for hogs and other "mixed" cars are much higher than they should be.

*Reduction in Minimum Weights on Carloads of Swine, Sheep, and also on Mixed Cars of Cattle, Sheep and Swine.*—For several years livestock organizations in Western Canada have been pressing for a reduction in minimum weights, arguing that they are too high as compared with the actual loading capacity of cars.

Particularly is this true in the case of lambs and sheep. The minimum weight in this connection is 16,000 pounds. The experience of livestock shippers, as well as the figures given by the Livestock Branch of the Dominion Department of Agriculture, establishes that the 16,000 pound minimum is far in excess of the loading capacity of our stock cars for sheep and lambs. This statement is increasingly applicable with the reduction in the weights of lambs which meet present day market requirements. The figures given by the Livestock Branch indicate that 105 lambs weighing an average of 80 pounds is all that can with safety be loaded in a car. Even increasing the number of lambs to 120 on the above basis would only represent a load of 9,600 pounds. The average weight, loaded, of the lambs coming to the market is considerably under 10,000 pounds. The assessing of the freight rates on the 16,000 pound minimum simply means that the rate is being increased approximately 60 per cent. It may be argued that, if the minimum were reduced, the rate would have to be increased and in so doing that the sheep industry would not enjoy any advantage. I submit that minimum weights should be based on the actual poundage capacity of the car. There appears to be no justification for setting the minimum so high as to make it impossible for the shipper to load a car up to the weight specified, and that is precisely the position with respect to the minimum set in connection with the shipping of sheep and lambs. I would strongly urge that the minimum of 16,000 pounds now in force covering the shipment of sheep and lambs should in all fairness be reduced to 10,000 pounds.

*Establishment of an Export Freight Rate on Shipments of all Livestock for Export.*—In view of the efforts which are being put forth by the Governments of Canada (Dominion and Provincial), and livestock organizations generally, to find an outlet for our surplus stock, that is, surplus over and above the quantity of stock required to meet the needs of our domestic market, it does appear reasonable to suggest that a reduction be made in freight rates on shipments of livestock consigned for export. While it may appear on the surface that a reduction in export rates would be a discrimination as against local shipments, it is submitted that, as a result of the export movement of livestock, thereby preventing a glut on the domestic market, the local shipper derives an indirect benefit as the result of any reduction on freight rates on livestock consigned for export.

*By the Chairman:*

Q. Just before you leave that, we have had witnesses before us asking for a reduction on local rates to be in line with the export rate, particularly for the movement of cattle from the west to the Ontario or the Montreal market. If we were to secure a reduction in export rates, and if the same appeal were to be made for the continuance of the reduction of local rates, obviously you would reach the point where the matter would be impossible of operation by the railways?—A. I appreciate that, sir.

Q. But you would prefer, I understand from your brief, that there should be a reduction in the export rates?—A. Yes. We feel that mainly because of the fact that the livestock industry in our province to-day makes a contribution to the agricultural people—including livestock products—of approximately \$23,000,000 per year as compared with \$28,000,000 from our cereal crop production. We have export rates for grain, and we think now that our livestock industry is gaining the position it enjoys in the economic structure of our province, and makes the contribution to the budgets of our farm people that it does, it is sufficient to demand that it be given some similar consideration to that now given in the form of export rates on grain.

*By Mr. Edwards:*

Q. Where you are reducing the minimum car from 16,000 pounds to 10,000 pounds, which is very light, then you are asking for a reduction in the export rates, how would that line up with the cost of hauling?—A. Of course, I realize that in any decision in respect to these things consideration has to be given to the railway situation in Canada.

Q. You think it is justified?—A. I do, from this point of view; that the railway situation in Canada can only be permanently solved by the development of industries within Canada.

Q. They cannot be very well solved by hauling freight at a rate which is less than the cost of haulage?—A. I am not in a position to say what the cost of actually hauling this live stock for the export market would be; but we do ask that in a consideration of that particular structure, cognizance be taken of the fact that live stock to-day in Western Canada has attained the position, in comparison with our grain crop production, that demands we think some consideration in the setting up of foreign rate structures.

Q. In other words, you mean that the hauls obtained from the live stock industry in western Canada would justify more or less its bonusing—it would amount to the same thing?—A. I do not know that I would ask for a bonus.

Q. That would amount to the same thing as a bonus?—A. I cannot say "yes" or "no" to that—just whether it does or does not involve a bonus.



*By Mr. Senn:*

Q. There is another question which occurs to me somewhat along those lines; when you are speaking of reduction in export freight rates, do you mean for these rates to take effect from the farm to the Winnipeg markets; or from the Winnipeg markets on?—A. From the point at which they are gathered together in the West.

Q. Then you practically could not tell from what points, for the purposes of discussion, until you get them together?—A. Well, in most cases in Manitoba it would apply from the St. Boniface yards on. So far as Alberta is concerned, I do not know the situation there, but I presume there are many shipments which go direct from ranches overseas.

*The Extension to Western Canada of the "Feed in Transit"  
Rates Now in Force in Eastern Canada.*

With the demand for a reduction in wheat acreage, quite obviously farm lands will have to be put to other uses and the logical crops to grow will be coarse grains and fodder crops. The only marketing outlet for such crops is through feeding livestock.

In the economy of western livestock raising it is recognized that cattle can be more cheaply produced under range conditions; but it is not the general practice to have these cattle finished for market on the range. These cattle are being moved to feed lots in various districts in the West, where an abundance of suitable feed is available, subsequently to be consigned for export or for immediate slaughter on domestic markets. If the feeding in transit rate now in force in Eastern Canada was made applicable in Western Canada, the reduction in freight which the feeder would enjoy would encourage the feeding of livestock and would frequently represent the difference between profit and loss.

*An Investigation into Possible Causes of Violent Price Fluctuations and Their Relationship to Competitive Buying and Selling as Well as to the Law of Supply and Demand.*—Our centralized cash markets for livestock represent the outgrowth of early attempts on the part of producers to concentrate buying and selling in order to bring supply in contact with demand so that fair prices could be determined. The establishment of prices between producer and consumer is still the principal function of the public markets. For many years these markets have been universally accepted as the machinery for the establishment of prices for our livestock industry.

Public Markets serve as producers' headquarters for sale of livestock. They are maintained by producers, who pay all charges assessed for the sale of livestock. All the services provided at these markets are intended for their benefit. Producers' livestock are prepared for sale and sold by commission men. Through the commission men such factors as sorting, grading and fill are controlled. Through commission men producers enjoy equal advantages in question of prices.

It is necessary that the producer of livestock furnish supplies of killing stock in close harmony with daily market requirements. It is in their interest to have an efficient method of adjusting the supply with the consumers' demands.

The practice of buying direct is a method of securing livestock supplies designed to favor the buyer. When a producer resorts to this method, he does not patronize the system of marketing which producers of livestock have built up for the sale of their own products. The direct buyer keeps away from the bargaining power which is created for the producer at the competitive market. Through direct shipments the producer loses the benefit of skilled salesmanship available on the competitive market. Competitive buying has been greatly reduced at Public Markets as a result of direct buying and direct shipping to plants. Bargaining power is reduced to a great extent and prevents actual supply



and demand from being weighed against each other in establishing prices. It prevents our public markets being the sole determining factor in establishing fair prices for all classes of livestock.

*By Mr. Young:*

Q. How much bargaining power is there in these alleys, when one buyer goes down one alley and another buyer goes down another alley?—A. I think, from what I have seen of the public yards in Winnipeg, that there is considerable competition among the commission houses in the sale of livestock. It is limited to-day by reason of the fact that other buyers who should go in there are not always there, because they go to the country and buy their stuff direct.

Q. I understand, but these other buyers when they do go in either have a certain alley they go down—that is, nobody else goes there?—A. I do not know as to that, I have no knowledge of alleys being allotted to any one buyer to buy.

*By the Chairman:*

Q. Your argument, I gather from this, is that to the extent that there is direct marketing it militates against competitive buying on the public market?—A. Quite, sir.

*By Mr. Sommerville:*

Q. And it therefore limits the operation of the law of supply and demand?

*By Mr. Kennedy (Winnipeg):*

Q. And is prejudicial to the interests of the producer?—A. That is my belief.

The CHAIRMAN: All right, Mr. McKenzie, will you please continue.

The WITNESS: The belief is quite prevalent that country buying, coupled with the enormous increase in direct shipments to processing plants, enables packers to abstain from being continuously an active competitive buying force on our public markets, and their absence has a price depressing influence. On the other hand settlement for all direct shipments to plants is made on the basis of the alleged depressed prices on public yards. That, Mr. Chairman, in a nutshell is the prevailing belief. I am not in a position to supply proof as to the accuracy of that assumption. On the other hand price fluctuations would lend considerable colour to such a conclusion.

*Influence, if Any, of Massed Purchasing on Prices Paid by Processing Plants for Live Animals.*—This is a very involved and vexed question—a question much more easily asked than answered. The belief is quite common in our part of the country that large buyers of dressed meats are unusually close buyers. Large orders are attractive to the packer and he dislikes to lose them. It is suggested by those who believe that mass buying depresses prices received by the packer, that he in turn has to purchase livestock on the hoof to replace those carcasses already sold, and that livestock for replacement is bought on the basis of the price the packer had received from the large retailer. That, Mr. Chairman, is briefly the reason behind this belief that mass buying ultimately has a depressing influence upon prices paid for livestock.

*By Mr. Factor:*

Q. Mass buying—by whom; the large organization?—A. By the big retailers.

*By Mr. Sommerville:*

Q. By the chain butchers, the chain stores handling meat?—A. Yes.

A producer representative is handicapped in dealing with this phase of the merchandising of livestock products owing to his somewhat remote position from

this particular link in the chain of merchandising livestock and livestock products. The producer's intimate contact with the merchandising of his livestock ends when the animal is sold to the packer. On the other hand, when he sees prices attached to cuts of meat offered for sale in the retailer's window, he ponders and wonders if these cuts really came from some of the animals he had sold the packer and, if so, what had transpired since they left his farm to so greatly enhance their value. He further inclines to the belief that, if retail prices had a closer relationship to the price he has received, it would enable consumers to purchase and consume more of what he produces and would partly solve the problem of finding outlets for our livestock.

I shall refrain from any further comment on this particular problem in the industry and express the hope that the Committee will investigate it fully.

*Influence of Retail Prices on Consumptive Demands.*—I have already touched on this question in dealing with the preceding one. Further comment is unnecessary. This question projects itself into the very heart of this whole problem, namely, the preserving of a larger share of the consumer's dollar for the primary producer.

The reaction of the consuming public to relative prices asked for classes of food which are capable of being exchanged in the arranging of meals for the home is very sensitive and prompt. Since the advance in hog prices, and the corresponding increase in prices asked for processed pork products there has been a sudden change from the use of pork products in the home to other substitutes such as beef, mutton, eggs, etc. Price levels and quality very largely determine the consumer's demand. The exchange of agricultural food products in the planning of meals for the home is desirable and helpful in maintaining a fair and reasonable basis of value between food products. I submit, however, that when retail prices for agricultural food products are unduly enhanced the consuming public either consumes lesser quantities of such products or, worse still, discontinues their use entirely and resorts to the purchase of non-agricultural or synthetic products to take their place.

The reaction of the consuming public to retail prices of agricultural food products is a very real concern to the primary producer. It directly affects the market outlet for his product. The situation is of still greater concern to the producer when he fails to relate retail prices to the net prices he receives on his farm.

Farm products are facing very strong competition from non-agricultural products, particularly synthetic products. The supremacy of wool as raw material for the manufacture of garments was first challenged by cotton. People who had worn wool garments all their lives were forced under wartime prices to purchase cotton goods to replace their woollen goods. Later on artificial or vegetable silk partly displaced both cotton and wool. Retail price levels were largely responsible for this change in habit of clothing.

Butter in many countries of the world is displaced by oleomargarine. Lard—a hog product—is very largely displaced by non-animal fats, used for cooking, under trade names such as “domestic” shortening.

When retail prices become out of line with actual values, based on prices paid for the farmers' product at the primary market, they become responsible for reduced consumption of such farm products and to that extent limit the farmers' market outlet.

Western Canada has a substantial surplus of farm products. Canada, as a whole, is striving to find, through trade agreements, quotas, etc., an outlet for our surplus products. The world at large is suffering the throes of a war for markets. And yet consumption of farm products is lessened because retail prices make it difficult, if not impossible, for a depressed consuming public to purchase on the basis of prices asked over the counter. The fullest and most



searching enquiry possible should be made to ascertain what distribution is made of difference in the prices received by the retailer and the prices received by the primary producer.

I turn now, sir, to a brief presentation of recommendations agreed upon at joint conferences of the Departments of Agriculture in Alberta, Saskatchewan and Manitoba.

The various matters already presented in this brief, together with many others, were fully considered and agreed upon. For purposes of clarity and in order that the situation may be dealt with as expeditiously as possible, our joint recommendations are summarized under two main headings:

- 1st—A number of recommendations which we would ask your Committee to consider and suggest to the House of Commons at this Session, so that immediate assistance can be secured;
- 2nd—A further number of recommendations which we believe are so important and far-reaching as to demand a most exhaustive study by a livestock commission set up for that purpose.

Turning then to the first group of proposals, livestock commission of enquiry:

*Livestock Commission of Enquiry.*—This Special Committee of the House of Commons is engaged in an extremely important investigation of the marketing of livestock in Canada, and reports of its proceedings are followed with great public interest. The terms of reference, however, are very broad and the time for enquiring fully into the several matters assigned to your Committee may prove to be insufficient for livestock marketing to be adequately investigated; whereas in our opinion it is of the utmost importance; not only to livestock producers, but to secondary industries dependent upon it for the raw material for their factories that all essential facts respecting the livestock industry in relation to production, transportation, processing and distribution be carefully studied and made available so that the difficulties involved can be more clearly understood and the appropriate remedies supplied. We propose, therefore, that your Committee recommend the appointment under Federal authority of a Commission of Enquiry to continue its investigation of the Canadian livestock industry and afford greater opportunity for interested persons throughout Canada to present evidence, with instructions to devise and recommend ways and means by which causes of grievances can be removed, so that confidence will be restored and stability provided for this important branch of Canadian agriculture.

*Markets and Marketing.*—1. That control of livestock, as well as livestock products exported to Great Britain and other countries, be undertaken at once in order to prevent the export of animal products which would not creditably represent the Canadian livestock industry. Due precautions should be taken to correlate such control to British and foreign market requirements, season or otherwise.

2. That a satisfactory understanding be reached as soon as possible with regard to a marketing quota for Canadian cattle in the British market and that every effort be made to increase the allotment for the present year and for the future.

3. The application of provisions of "The Live Stock and Live Stock Products Act" (Dominion), to all licenced abattoirs in their purchasing of livestock.

4. That there be a reduction of handling charges of livestock at all stock-yards, this to include yardage fees, commission and feed prices. Livestock shippers should receive detailed statements showing feed charged against each shipment.



*Transportation.*—1. That the railway companies be requested to grant lower export rates on livestock and livestock products from the prairie provinces to the seaboard.

2. That a downward revision of rates on domestic grain used for feeding and fattening livestock be requested. The periodic droughts and shortages of feed render this very important and it will also serve to encourage the feeding of livestock at interior points.

3. That the feeding-in-transit rate be extended to western Canada.

4. That there be a downward revision of express rates on purebred livestock, eggs and poultry so that producers in all districts have equal opportunities in this respect. Reductions have been made from competitive points, but it is felt that if this reduction were general, not only would the producers benefit but the railways as well.

*By Mr. Kennedy (Winnipeg):*

Q. You mean between the trucks and the regular carriers?—A. No. As I understand the situation, the railway companies have reduced their rates where they come in competition with truck services, but they have not done so at non-competitive points.

Q. The same thing with the country?—A. Yes. Then, there is a group of suggestions which we feel should be a matter of extensive inquiry.

It is recommended that among the problems affecting the livestock industry which require exhaustive investigation by a livestock commission are the following:—

1. The extension of our export markets. This would include the possibility of expansion in such markets as are already available, and the development of new market outlets such as the Orient.

I might interject here and say that at our conference, the people of Alberta felt that was quite a possibility in the Orient for our livestock trade.

2. The effect upon livestock prices of direct purchases by packers.

3. The function of the public market in the establishing of livestock prices. The decrease in the volume of livestock routed through stockyards renders an examination of their function in the marketing system desirable in order to determine whether changes are needed to increase their effectiveness.

4. The need and value of custom slaughtering facilities on public stockyards. The competition between public stockyards and packing plants with respect to services rendered, makes it desirable to determine whether the future of the industry requires a certain duplication of service.

*By Mr. Young:*

Q. What is the meaning of that, "The need and value of customs slaughtering facilities on public stockyards." Does not that exist now?

Mr. SOMMERVILLE: No.

The WITNESS: Yes.

The CHAIRMAN: In some places. There is one in Toronto.

The WITNESS: They exist to this extent, that the packing plants at St. Boniface, for instance, will kill stock by the payment—

The CHAIRMAN: At cost?

Mr. KENNEDY (*Peace River*): Twenty-five cents per hog at Montreal.

*By Mr. Young:*

Q. Do you consider other facilities in competition with the packing plants should be established, public abattoirs?—A. Well, you will notice, this is to be studied. We are not very sure. We are wondering if public yards for public

killing were established, if facilities were provided so that the small merchant, the small butcher, could go into the stockyards and buy his animals in competition with such other buyers as may be there, and take those animals over to the public killing plant, have them killed there and made available for him, we are wondering whether or not it would aid in the competitive purchasing of the stock.

Mr. FACTOR: We have a civic abattoir at Toronto and it is losing thousands of dollars each year.

The WITNESS: We are simply asking that the possibilities of this be investigated.

5. The value and practicability of auction selling at public stockyards as compared to the present system. The influence of packer buyers should be considered in that regard.

6. The justification of present charges by stockyards and commission agencies, and merits of commission charges per car as compared with a percentage on sales.

7. The investigation of the value of rail grading from the producer's standpoint.

8. The justification of feeding and finishing of livestock by packers.

9. The extension of beef grading. It is felt that grading should be extended as a matter of policy not only for the benefit of the consumer, but also in order that premiums on quality be reflected back to the producer. Amongst the questions to consider in this connection is whether all beef from inspected abattoirs should be graded.

*By Mr. Ilsley:*

Q. Beef is graded now, is it?—A. Yes.

Q. Cattle are not graded, but beef is?—A. Yes.

The CHAIRMAN: You are speaking of beef?

The WITNESS: Two grades.

*By Mr. Ilsley:*

Q. You think it should be extended to all?—A. All grades, all qualities.

*By Mr. Sommerville:*

Q. If canners' and cutters' beef were sold on the market as canners and cutters the public would know what they are getting?—A. Yes.

Q. That is behind that suggestion?—A. We are a little fearful now that some of the poorer qualities of cuts are sold to the consumers without the consumer knowing what he is getting, and as a consequence of that, it has a tendency to limit the consumption of beef.

The CHAIRMAN: The retail merchants from British Columbia urged the same thing.

Mr. SOMMERVILLE: Yes.

The WITNESS: 10. The advisability of reducing the minimum weights on carloads of sheep and swine and mixed cars of cattle and other kinds of livestock, to correspond to actual weights of cars loaded.

11. A complete investigation of the present system of distribution as it affects livestock products, with particular reference to the factors influencing wholesale and retail prices and the justification of the spread between the two.

The CHAIRMAN: These recommendations by the joint departments of agriculture of the joint provinces are very similar to the recommendations made by Manitoba?

The WITNESS: Very similar sir.

The CHAIRMAN: Mr. McKenzie has had a long siege, and I want to compliment him upon the excellent manner in which his brief was prepared, illustrated by charts, and upon the admirable way in which he presented it. Is it the desire of the committee to have Mr. McKenzie for further examination?

Mr. YOUNG: I do not think so.

Mr. KENNEDY (*Peace River*): I should like to ask a question.

The CHAIRMAN: If we are going to question him, let us have him back this afternoon.

Mr. KENNEDY (*Winnipeg*): I should like to make an observation relative to what you have already said, Mr. Chairman. It won't add anything to what you have said, but as a representative from Manitoba on this committee, I might presume to compliment you. I want to tell you how proud I am that such an excellent and outstanding brief has been presented to this committee from Manitoba. In every way it is most excellent.

The CHAIRMAN: Very good. Now gentlemen, I think we will adjourn until this afternoon.

Mr. SOMMERVILLE: There is no other witness for this afternoon.

The CHAIRMAN: There is a suggestion that Mr. Buckle will be here tomorrow. We might leave the examination of Mr. McKenzie until then, and not meet this afternoon at all.

Committee adjourned until Wednesday, April 18th, at 11 a.m.



HOUSE OF COMMONS, ROOM 368,

April 17, 1934.

The special committee appointed to inquire into price spreads and mass buying met at 11 o'clock a.m., the Hon. H. H. Stevens presiding.

Mr. Norman Sommerville, K.C., of Toronto appeared as Counsel for the Committee.

The CHAIRMAN: Order gentlemen, the minutes are just the usual record of the witnesses heard and certain exhibits filed; that, I think, is all. We will approve the minutes.

To-morrow we were going to hear Mr. Douglas, but I understand the Select Standing Committee on Banking and Commerce have requested that we should release Mr. Douglas so that he can continue his evidence there, and it strikes me it will be of more importance to all concerned that he should appear there where he will be thoroughly examined than to appear here; so, if the committee agrees, we will release Mr. Douglas to-morrow morning.

Are you all agreed? Carried.

Mr. FACTOR: Will we have him later on, Mr. Chairman?

The CHAIRMAN: I think not.

Yesterday the Hon. Mr. McKenzie completed his evidence and there was the suggestion from members of the committee that they wished to ask him questions. As a matter of procedure it is suggested that the Hon. Mr. Buckle should go on this morning, and that the Hon. Mr. McKenzie should be recalled for questioning later; or, if it is the wish of the committee to go on with him now, before hearing Mr. Buckle, all right.

We will proceed with the Hon. Mr. Buckle.

The Hon. W. C. BUCKLE, Minister of Agriculture for Saskatchewan, called and sworn.

The CHAIRMAN: I am sure we are all very pleased to have Mr. Buckle here. Now, Mr. Buckle, you can make yourself just as comfortable as you like; sit down, stand or do just as you please.

The WITNESS: It may be that I will fall down after a while.

Mr. Chairman and gentlemen, on behalf of the Province of Saskatchewan I appreciate the opportunity given me of being here to-day. I have a very short brief here, somewhat in the nature of Saskatchewan's preamble to the recommendations presented to you yesterday by the Hon. Mr. McKenzie from Manitoba. These recommendations, as you already no doubt know, were prepared in collaboration with the other two provinces in the West. I would like to read the brief, and when you have heard that if you desire to ask questions I will do my best to answer them.

*By the Chairman:*

Q. Have you copies of your brief, Mr. Buckle?—A. Yes.

Q. If you would just let us have them we will distribute them to our members?—A. I will be glad to. I may say that the figures of the appendix are separate from the report itself.

MEMORANDUM RE PRICE SPREADS AND MASS BUYING FOR PRESENTATION TO THE  
SELECT COMMITTEE OF THE HOUSE OF COMMONS

The people of Saskatchewan are greatly interested in the inquiry which is being held by your committee and you have already heard from the Retail Merchants' Association of Saskatchewan in connection with merchandising methods, and have had representations from the Saskatchewan Live Stock Producers Co-operative Association regarding the marketing of live stock. I am pleased to be associated on behalf of the farmers of Saskatchewan with the Ministers of Agriculture from the adjoining Prairie Provinces in presenting certain facts and opinions respecting the inquiry as it relates to agriculture. While I am associated with those gentlemen in making certain recommendations regarding the live stock industry of the Prairie Provinces, I wish also to present a resolution on live stock marketing from the Legislature of Saskatchewan, and to speak respecting the agricultural situation generally in Saskatchewan.

I regard this special inquiry relative to price spreads and mass buying with considerable satisfaction as a special committee of the Legislature of Saskatchewan devoted considerable time to a study of certain problems of agriculture during the 1933 Session and in its report, which was approved by the Assembly, included the following recommendation for the consideration of Federal authorities:—

An immediate investigation into the existing wide spread as between the price levels of farm produce and those manufactured articles required by the farmer, with special reference to the implements of production and repairs needed for same.

I desire also to submit at this time a resolution of the Saskatchewan Legislature passed a few days ago commending the work of this committee and expressing a desire for a full inquiry into the marketing of live stock in Canada. The resolution reads as follows:—

Shall we take that as read, or do you desire me to go through it?

The CHAIRMAN: Yes, I think we can take that as read; it will be extended in the record.

That, having in mind the very unsatisfactory conditions surrounding the marketing of live stock and the vital necessity of remedying those conditions to the fullest extent possible, this Legislature views with satisfaction the inquiry now under way in the Federal House to that end, but considers that it is improbable that all important phases of live stock marketing can be adequately investigated by a Parliamentary Committee in the time at its disposal.

Therefore, be it resolved, that this Legislature recommend to the Dominion Government that the marketing of live stock be made the subject of a special inquiry and report by a Commission appointed under Federal authority with adequate producer representation to investigate all matters relative to live stock marketing, including the costs of transportation and selling through public stock yards; the effect upon prices of selling and shipping live stock direct to packers; the value of auction selling of live stock as compared with existing methods and the desirability of substituting for certain classes, or all classes of live stock, on some or all of the public live stock markets, the present system of commission selling in favour of a system of auction sales; the practicability of rail grading of market hogs, and any or all other matters of importance to the live stock producer in the marketing of his product.

The WITNESS: The viewpoint of Saskatchewan before your inquiry may differ somewhat from that of other parts of Canada and this is not surprising



when it is realized that there are no large cities in Saskatchewan; the rural population greatly exceeds the urban population; industrial development so far as it has progressed is related chiefly to products of agriculture, the bulk of which, however, are processed outside of Saskatchewan and the prices received by farmers for the chief products are established in relation to world values rather than to domestic demand.

Saskatchewan has a two-fold interest in your inquiry,—first, the interest of the producer and seller of agricultural products in large volume; and secondly, that of a purchaser of industrial products to meet consumptive demand; both of which are closely related.

The position of Saskatchewan as central of the three Prairie Provinces creates a geographical handicap which affects both our selling and our purchasing. A considerable portion of Saskatchewan is practically equidistant from Vancouver, Churchill and Fort William—Port Arthur, where shipping facilities are available for export products. This position imposes a handicap on the sale of agricultural products not shared by any other part of Canada except the Peace River District of Alberta. This Saskatchewan region is similarly, if to a lesser degree, handicapped in the cost of importing industrial products. Because of this geographical position, Saskatchewan people are greatly interested in the possibilities of effecting a saving in the transportation of their agricultural products to world markets, as well as in the importation of industrial products at lower cost; and it is not surprising that they are more than any other group interested in the fullest operation of the Hudson Bay Route.

Some brief facts respecting the development of Agriculture and the extent of agricultural production in Saskatchewan may be permitted. Saskatchewan is the third province in Canada in population and more rural than any other province, except Prince Edward Island. The main agricultural development has taken place largely since 1900. The most important phase is the growing of grain, an enterprise which contributed largely to business expansion in other parts of Canada and furnished huge traffic volume and income to our railways during the years when crop yields were normal and agricultural income provided substantial purchasing power.

It would be a great mistake, however, to suppose that Saskatchewan produces nothing but grain. Saskatchewan is the leading producer of horses in Canada and stands second amongst the provinces of Canada in poultry production, third in milk production, third in production of pigs and fourth in the number of cattle.

The next paragraph, gentlemen, refers to the efforts of our government to provide a suitable commodity from our own domestic and the export markets.

In an effort to improve the quality of Saskatchewan live stock and to produce cattle, sheep and pigs of the type required for our domestic and export markets, Saskatchewan has proceeded farther than any other province in its development of Pure Bred Sire Areas, and in about one-fifth of the rural municipalities it is unlawful to own or use grade or scrub sires. Saskatchewan is the one western province participating with the Federal Government in the payment of premiums for outstanding stallions and, in common with other provinces, co-operates with the Dominion Government in paying premiums for high quality boars. Dairy Herd Improvement Associations have been organized under provincial auspices and are accomplishing worthwhile results. Large numbers of flocks of standard bred poultry have been culled by specialists for a number of years and the province has done a lot of effective work in the testing of flocks for the control of pullorum. Under a specialist in swine production, financed entirely from provincial funds, every possible effort is being made to extend the use of approved types of pigs for breeding purposes, so that



export requirements can be more fully met and the quota obtained under the agreement with the British Government in 1932, used to its fullest possible extent. During the past three or four years, when credit for financing the purchase of feeder cattle was not otherwise available, the Saskatchewan Government provided short term credits for this purpose, in order to encourage the fattening of cattle on a larger scale, every dollar of which has been repaid to the government by the borrowers.

I wonder if there is any place, gentlemen, where I could put up these graphs for your consideration. There is only one to which I wish to make particular reference this morning, which I think may be of interest to you, and that is the one showing the number of live stock in the Province of Saskatchewan. I may say that Mr. Wright, President of the Western Live Stock Union, will present graphs with respect to the number of stock in three provinces.

That Chart shows the acreage of wheat, oats and barley in the province.

Mr. SOMMERVILLE: What is the significance of it?

The CHAIRMAN: Just state the figures in interpretation of the graph.

The WITNESS: These are millions of acres.

*By Mr. Factor:*

Q. That is the same as we had in this memoranda?—A. Yes, that is all covered there.

*By the Chairman:*

Q. Perhaps at this point you might just file that memorandum?—A. Yes, the figures cover that very well.

The CHAIRMAN: I will tell you what we will do: at this point we will insert in your evidence these schedules showing the acreage yield and production of wheat, and farm live stock in Saskatchewan.

The schedules submitted as an appendix to the Saskatchewan brief are as follows:—

ESTIMATED ACREAGE, YIELD AND PRODUCTION OF WHEAT, OATS AND BARLEY  
IN SASKATCHEWAN, 1924 TO 1933

WHEAT			
Year	Acreage	Yield	Production
1924.. . . . .	13,033,000	10.2	132,918,000
1925.. . . . .	13,002,741	18.5	240,551,000
1926.. . . . .	13,558,384	16.2	219,646,000
1927.. . . . .	12,979,279	19.5	262,500,300
1928.. . . . .	13,790,854	23.3	321,215,000
1929.. . . . .	14,445,286	11.1	160,565,000
1930.. . . . .	14,326,000	14.4	206,700,000
1931.. . . . .	14,961,000	8.9	132,466,000
1932.. . . . .	15,543,000	13.6	211,551,000
1933.. . . . .	14,743,000	8.4	123,841,000
OATS			
1924.. . . . .	4,942,465	19.7	97,345,000
1925.. . . . .	5,071,507	34.5	174,967,000
1926.. . . . .	3,921,461	28.1	110,193,000
1927.. . . . .	4,412,556	32.3	142,526,000
1928.. . . . .	4,358,747	35.8	156,043,000
1929.. . . . .	4,255,789	16.2	68,944,000
1930.. . . . .	4,531,000	27.7	125,509,000
1931.. . . . .	4,368,735	15.5	67,700,000
1932.. . . . .	4,364,700	24.6	107,400,000
1933.. . . . .	4,571,000	16.5	75,422,000

## BARLEY

Year	Acreage	Yield	Production
1924.. . . . .	953,851	18.2	17,360,000
1925.. . . . .	1,065,398	25.4	27,061,000
1926.. . . . .	872,140	25.1	21,891,000
1927.. . . . .	925,889	29.3	27,129,000
1928.. . . . .	1,621,463	27.3	44,266,000
1929.. . . . .	2,228,604	13.8	30,755,000
1930.. . . . .	2,016,000	20.1	40,522,000
1931.. . . . .	1,366,092	10.5	14,340,000
1932.. . . . .	1,329,500	17.6	23,400,000
1933.. . . . .	1,228,000	14.3	17,560,000

A number of statistical tables are appended hereto, showing the production of live stock in Saskatchewan, and I am presenting a number of graphs to show the expansion of acreage of cereal grains, the increases in the production of live stock and poultry and the cash value of crops and live stock during the past decade.

There is one point to which I wish to draw the attention of the committee particularly, to indicate to you the tremendous drop in gross value in the production of grain and farm animals in Saskatchewan.

*By Mr. Sommerville:*

Q. What does that chart indicate?—A. The drop in the gross value of the agricultural production in the province, from the high point of 360 in 1925, dropping down to possibly 65 in 1931.

*By Mr. Young:*

Q. That shows a fairly continuous drop?—A. That was from 1928 to 1931, that would be the drop in five years.

*By Mr. Sommerville:*

Q. That was a continuous drop; what was the peak in 1928?—A. 340,000,000.

Q. And there has been a steady drop to what?—A. 65, in 1931—approximately.

*By Mr. Factor:*

Q. What is that?—A. That is grain production. Animal production has kept a fairly steady line, as you will notice from the chart.

Mr. SOMMERVILLE: That covers only grain production then?

*By the Chairman:*

Q. And when you say grain production, you mean value?—A. Gross value.

*By Mr. Sommerville:*

Q. And the lower line on that chart indicates the gross value of animal production?—A. Yes.

Q. And that has kept a comparatively steady line until the year 1929, and it began to drop then from what to what?—A. From around 20,000,000 down to approximately 10,000,000 I would say, in 1932; despite, of course, the increase in the number of animals.

Q. Despite the increase in volume there was this decrease in value; and that is indicated by the table on farm live stock in Saskatchewan which you now produce?—A. Yes, that is indicated in the table in the appendix.

The table referred to is as follows:—

#### FARM LIVE STOCK IN SASKATCHEWAN

Year	Cattle	Swine	Sheep
1924.. . . . .	1,528,867	872,819	123,326
1925.. . . . .	1,499,411	610,973	131,359
1926.. . . . .	1,160,125	597,660	161,831
1927.. . . . .	1,304,290	616,603	170,035
1928.. . . . .	1,181,379	602,156	183,098
1929.. . . . .	1,166,913	599,909	207,551
1930.. . . . .	1,214,900	497,900	209,900
1931.. . . . .	1,188,884	949,055	281,013
1932.. . . . .	1,327,600	898,000	313,700
1933.. . . . .	1,446,100	648,600	360,000

#### HORSES

1924.. . . . .	1,179,782	1,929	1,122,757
1925.. . . . .	1,177,599	1,930	1,077,234
1926.. . . . .	1,109,516	1,931	1,000,397
1927.. . . . .	1,168,314	1,932	963,000
1928.. . . . .	1,141,281	1,933	946,900

*By Mr. Senn:*

Q. Does that include your dairy products as well?—A. No, that does not include dairy products.

Q. Just animals?—A. Just animal production, yes.

These records are related to a period of agricultural development which has probably never been surpassed.

While mixed farming has been encouraged and much has been accomplished, there are limits to the application of a program of diversification. Extreme weather variations and periods of drought, such as those experienced during the past five years, impose a tremendous handicap upon the development of mixed farming in parts of the open plains portion of Saskatchewan. Further development of mixed farming in the park belt is not only possible but is highly probable if sufficient price inducements are provided to attract people to this form of diversification. The higher prices of pigs which have prevailed during the past few months, have stimulated greatly this form of agricultural activity in Saskatchewan.

Before control measures were adopted in Britain about a year ago, prices of Canadian swine and bacon fell so low that Canadian consumption of pork products in 1931 increased by more than 100,000,000 pounds over that of the previous year, while export trade was of small volume. In 1933, with fewer pigs in Canada, domestic pig prices climbed and exports of pig products were about doubled, while prices of cattle were largely unaffected. These developments indicate what price reactions may be expected when effective control is applied to a product, whether the ultimate market is within the country of origin or beyond its borders. This particular development in swine prices is an outstanding feature in marked contrast with the prices of most agricultural commodities.

In spite of this fortunate exception, however, which was shared to some extent by wool, due to a better statistical position, practically all of the commodities produced on Saskatchewan farms realize extremely low prices and bring to our farmers a very meagre return for their labour and enterprise.

The seriousness of this price condition for Saskatchewan farmers is indicated by surveys made by the Department of Farm Management of the University of Saskatchewan during the past three years. It was found, for instance, in 1933 that 238 farmers located in one of the oldest farming districts in Saskatchewan had obligations amounting to \$7,298,000 per farm or \$18.64 per acre of crop land. For the whole of Saskatchewan, on the basis of surveys in recent years,



it was calculated that it would require four-fifths of all the wheat available for sale in Saskatchewan from the 1933 crop to pay the interest on the present farm debt and two-fifths of this wheat would be required for the payment of farm taxes. The decline of wheat prices and yields has been so great that the 1929 crop was worth only two-thirds of the 1928 crop; the 1930 crop, two-fifths the small crop of 1931, one-fifth; the 1932 crop, one-quarter and the crop of 1933, one-fifth of the 1928 values.

Possibly a better illustration of that would be to state that in 1931 we set out certain areas in the province for the administration of relief. We had our A, B, C areas. Now A area represented around 86 municipalities. The gross value of agricultural production in 1928 was around \$145,000,000, and in 1931 that had dropped to a value of \$13,000,000; so that will indicate to you to some extent the tremendous problem that our farmers in Saskatchewan have had to deal with.

A chart which I will show you indicates clearly the very drastic change which took place in the values of Saskatchewan grain crops and live stock in recent years and the need of our farmers for obtaining a greater income from farm products.

The "home market" should be a valuable market for our farmers and it does undoubtedly absorb the bulk of our entire agricultural production with the exception of wheat and cheese. Exports of swine and cattle picked up last year, but with the two exceptions of wheat and cheese, the bulk of the production of Canadian farms is still marketed in Canada, but at prices so low that the whole business life of Canada is disastrously affected. This condition of low domestic prices is due to the fact that a small percentage of our cattle, swine, poultry products and butter is available for world markets after domestic needs are supplied, and world values force down the price of the major part of our agricultural production consumed in Canada.

In 1932, for instance, Canada exported less than seven million dollars worth of live stock and live stock products in the form of meats, while the domestic consumption of meats was about fifteen hundred million pounds. By selling less than seven million dollars worth, which placed our domestic market on an export price basis, the purchasing power of our Saskatchewan farmers was practically wiped out with a consequent disastrous reaction upon industry, unemployment and relief.

This, I believe to be of fundamental importance. The welfare of other classes of producers in Canada is related in a very intimate way to the prosperity and welfare of agriculturists. It may appear at the moment as a great lessening of the national burden of relief and a direct benefit to those who are unemployed, that agricultural products can be purchased so cheaply. We are learning, however, that food can be too cheap and it would seem that national prosperity will remain beyond our reach so long as agriculture continues to fill the role of a provider of cheap food instead of regaining a greater measure of independence and thus becoming again a full-time partner in our national domestic economy as a purchaser and user of the products of industry.

And in connection with the farm-management survey that I mentioned a few minutes ago, this indicates in some way what it would mean even in our Province to industrial Canada if the purchasing power of the farmer was made a little greater. In the six districts that were investigated by this farm management branch of the university—and may I say that there is nothing of conjecture about this at all, these men go into the homes of the farmers and explore to the fullest depths their position financially—and as a result of that we found this: between 1925 and 1929 there were six districts examined and the average clothing bought in each home amounted to \$226.

*By the Chairman:*

Q. For a family?—A. For a family.

*By Mr. Young:*

Q. Per annum?—A. Yes.

*By the Chairman:*

Q. For a year, for a family?—A. Yes. And the amount for furniture was \$54. In 1930 and 1933 the same investigation disclosed the fact that the average purchase of clothing was \$92, that is it had dropped to \$134 per family; and that furniture dropped to \$6, or \$54. Now, taking the four years from 1930 to 1933, that is four crop years; and now taking three of these years—eliminating one altogether—and after allowing for a 25 per cent drop in the price of clothing and a 10 per cent drop in the price of furniture—and this is done by a professor of economics, well qualified to investigate this particular matter—it is found that the expenditure for clothing could be \$40,000,000, and for furniture \$18,000,000—and for machinery \$50,000,000, and for building material and repairs another \$40,000,000; that is allowing for a 20 per cent drop lower in the value wholesale.

*By Mr. Young:*

Q. That is, to restore them to the previous basis?—A. That is, to restore them to the 1924 basis.

*By Mr. Edwards:*

Q. That is true all over Canada?—A. That shows that \$140,000,000 could be spent in that province.

Q. But there is just the same condition in the same provinces?

The CHAIRMAN: No, I think perhaps conditions are much worse there.

The WITNESS: I think the five crop failures we have had would intensify conditions financially—losses that farmers in that province have had which others have not.

*By Mr. Kennedy (Peace River):*

Q. Have the findings of that survey been published?—A. They will be very soon. I may say also at this point that it is estimated that the debt increase on these farms since 1921 as a result of drought and drop in values has been \$707.

*By Mr. Young:*

Q. Per farm?—A. Yes.

Q. That is for what period?—A. From 1931 on—1932, 1933; and the loss of five years' crop, that is calculated on the average yield—the loss to the farmers in the province had been \$202,000,000 for that term of years.

*By the Chairman:*

Q. Now, just before you leave that point, Mr. Buckle, the debt increase; am I right in assuming that that is due to the application by the farmer of his resources to his sustenance, made necessary by the vanishing of his earnings?—A. More his inability through the lack of crop production to pay his due debts; I would imagine that would be correct, that is, increased taxes and interest, I presume it would be largely.

Q. My point is that a man in such circumstances must come to the point where he exhausts his credit; that point must be nearly reached?—A. The point of saturation, so far as debt in Saskatchewan is concerned, is about reached.



This introduces a consideration of the possibilities either of enlarging our exports so that the income of the farmer can be increased by the production and sale of products in larger volume, or of undertaking a program of domestic price-raising. Domestic price enhancement without an effective means of controlling production or marketing has always contained the possibilities of its own downfall. I may say that I recognize the great difficulties of this problem, but I cannot see that national prosperity is possible until means are found to increase farm revenues substantially without correspondingly increasing volume of product. I am hopeful that the operation of the Natural Products Marketing Act which has been introduced in the Dominion Parliament may be found to possess some value in accomplishing this purpose.

An alternative to control of prices and production would seem to be the pushing of production to the maximum, and the adoption of a national policy of effecting trade treaties under which our agricultural output could be exported even though it necessitates a greater degree of acceptance of industrial products in exchange for farm products than has been favoured in the past by industrial Canada.

*By the Chairman:*

Q. Before you leave the paragraph you have just quoted, if I might intervene here: you said, the alternative to the control of prices would seem to be the pushing of production to the maximum and the adoption of a national policy for the distribution of these through treaty arrangements abroad?—A. Yes.

Q. Now, would acceleration of production, without an increase of prices, be of any great value to-day?—A. No. I think I mentioned that in the previous paragraph, that unless revenues increase, it is hardly of much value to increase your production.

Q. Then in regard to wheat, being one of your main items of production—the price being the world price, even though we were selling more wheat abroad, it would not very greatly advantage you unless the price is raised?—A. That is right.

Q. All right, will you continue?—A. Yes. I can assure you that this would not be objectionable to the farmers of Saskatchewan—that is to get treaty arrangements.

Q. Treaty arrangements for increased export?—A. Yes, especially if they could bring their products through the Hudson bay and obtain the benefits of water transportation. Our farmers want to pay their debts; they want to buy, and in the past have bought freely to meet their physical needs; but at the present time they are not in a position to do either as they would wish. Drought and crop failure have, to some extent, brought about this condition, and a return of average yields in future would be an improvement, but when we view the condition of world markets and visualize a return of average crop yields on present acreage in Canada and the United States, it is not hard to imagine the difficulty of selling our wheat at remunerative prices.

I repeat, therefore, that we seem to be faced with a choice between scaling down production of meat animals to domestic requirements and grain to what can be sold, or of making mutually advantageous trade arrangements so that those who could use larger quantities of our surplus agricultural products would be able to pay for them with commodities useful to us. But perhaps neither of these courses offers greater difficulties than that of reconciling the view of agriculture and organized labour as to their mutual interest in bringing about higher prices of agricultural products.

I have another chart here that I would like to show you, to bring out that particular point.

Q. Could you hold it, or I will hold it for you, and you can indicate to the committee?—A. Thank you. The thing I want to point out is this: We start out



at 1914 with 100 as a basis, and I do not think that possibly labour and agriculture were ever in better agreement than they were at that particular time. We find this, at the present time the things that the farmer has to buy are 27 per cent above what they were at this time, and that the value—

Q. This time being what?—A. 1913 and 1914, one hundred. Then we find the base of our agricultural prosperity, or past prosperity, of wheat is approximately in the same position in the same period. Now, my contention is this—

*By Mr. Sommerville:*

Q. What position is that?—A. 27 below, that is what agriculture has to sell; and what he has to buy is 27 above the 1914 index.

Q. There is a difference of 54 points?—A. That is what it approximates.

Mr. EDWARDS: Is that 54 or 27?

Mr. YOUNG: Twice 27.

The WITNESS: My contention is, gentlemen, that there is where the work of this committee lies, in so far as getting the spread of prices is concerned. That is the endeavour, to bring that down to there (indicating), and that up there (indicating), or else lift them all up to there (indicating).

*By Mr. Sommerville:*

Q. We are trying to get it on the notes so it will read well, Mr. Buckle. Bringing that down to there does not mean an awful lot to the reader?—A. That is right. I didn't notice that. Pardon me.

Q. Just explain that, will you?—A. I think we will all agree, anyway to start with, that what interests the western farmer most is what he is going to get for his products, and then what he has got to pay for the things that he buys.

Q. And what he got this year is 27 points below the approximate figure of 1900?—A. Of 1913, 1914.

Q. Of 1913; and the price that he has to pay is 27 points above that basic line?—A. Yes. Then again we have this situation, that labour, which constitutes such a large proportion of what he buys, is 70 per cent above what it was in 1914.

Q. That basic line?—A. That basic line, yes.

Mr. HEAPS: Will you explain that 70 per cent? Will you explain what you mean by that 70 per cent?

The CHAIRMAN: Not 70 per cent, 70 points.

The WITNESS: 70 points.

*By the Chairman:*

Q. The base line being 1914 at 100, labour is now what?—A. 170. It is plus 70. What the farmer sells is minus 27.

*By Mr. Heaps:*

Q. I would like that explained. I don't quite get the significance of it?—A. If a man was getting \$100 a month in 1914, he is getting \$170 now. That is the man—taking transportation, in industrial wages. I think that that can be found on page 5 of Wages and Hours of Labour in Canada, No. 17 report.

*By the Chairman:*

Q. From the Bureau of Statistics?—A. The Bureau of Statistics.

*By Mr. Heaps:*

Q. You mean that the working man to-day is receiving 70 per cent more than he received in 1914?

The CHAIRMAN: Yes.

The WITNESS: That is according to the report I read. That is where I got those figures.

Mr. HEAPS: Is that your impression, that they are 70 per cent more?

The CHAIRMAN: Not 70 per cent, 70 points above the figure 100.

Mr. HEAPS: That is 170 as against 100. It is the same thing.

The CHAIRMAN: Yes, that is right.

*By Mr. Heaps:*

Q. Are you inferring that he is 70 per cent better off than he was in 1914?

—A. What I am saying is what he is getting—he is certainly better off if he is getting more.

Q. Is he getting 70 per cent more than he was in 1914?—A. According to this report he is. 100 was the index in 1914. I should have had that report here.

The CHAIRMAN: Take railway employees wages, they are to-day about that figure above 1914.

Mr. HEAPS: I think you are wrong, Mr. Chairman. I think Mr. Buckle is wrong, because if a man is working as he is to-day on the railway as everybody knows, on the basis of 30 hours per week, he is not 70 per cent better off than he was in 1914.

The CHAIRMAN: But this chart is disclosing the rates of wages, not actual earnings. You are taking it as actual revenues.

Mr. EDWARDS: It gives a very wrong impression, because I think Mr. Heaps is quite right.

The CHAIRMAN: No. Mr. Buckle's point is, and I think it can be accepted, that the things that the farmer pays for, that he buys, and the rate of wages which he must pay in the form of manufactured goods are both too high. The one, the things he buys, is 27 points above the base line of 1914, and the other 70 points above that line; whereas the things that he sells—

The WITNESS: Some of them, Mr. Chairman.

The CHAIRMAN: Yes, wheat.

The WITNESS: Yes, 27 points below.

The CHAIRMAN: Below the base line of 1914.

Mr. HEAPS: I challenge the whole statement, Mr. Chairman.

Mr. YOUNG: We will let Mr. Heaps come here as a witness and give evidence.

Mr. KENNEDY (*Peace River*): I think it is recognized that agricultural products dropped just about twice as far as other products.

Mr. EDWARDS: I don't think that is correct.

The CHAIRMAN: Well, I will tell you, this is Mr. Buckle's submission. If anyone challenges it, we can examine into it and get the facts more scientifically from the Bureau of Statistics.

Mr. KENNEDY (*Peace River*): I would suggest this to Mr. Buckle, if he shows us the low wages, he might show us interest and debts.

Mr. SENN: He also might show what labour is receiving on the farm.

Mr. KENNEDY (*Peace River*): Yes.

The WITNESS: I think some of your inquiry has been around the matter of sweated labour. If there is any industry that has been carried on with sweated labour any more than agriculture at the present time—

The CHAIRMAN: You would like to know it.

The WITNESS: —it is rather difficult to find.

Mr. HEAPS: Before you get away from that 70 points or 70 per cent, whatever you like to call it, I think the Bureau of Statistics might furnish us with a more accurate statement, or at least a more detailed statement than we have had.

The CHAIRMAN: I will tell you what we will do; we will let Mr. Buckle give his evidence, and I will ask the president of the bureau to take this chart, appear here and give us any corrections that, in his opinion, should be made.

Mr. HEAPS: I would like to do it in this way: I want to find out what the relative wage rate has been, for the total income of everyone of the railway companies over a period of years.

The CHAIRMAN: What is that?

Mr. HEAPS: The total wages and total revenue of the railway companies over a period of years.

The CHAIRMAN: I have it before me somewhere now. I was looking at that the other day.

The WITNESS: I am not saying for one moment, Mr. Chairman, that possibly some labour is not being exploited. I am not saying that at all. But there are certain forms of labour, such as transportation that I mentioned, and others as shown in this report, that do show a higher return than in 1914.

*By Mr. Heaps:*

Q. Why do you mean by transportation?—A. Well, railway.

Q. What section of the railway employees, all of them?—A. The carrier —I imagine it means transportation; that is what it comes under, and I imagine it means all employees.

Q. You mean railway employees who are working as labourers, getting 32½ cents an hour, are being overpaid?

The CHAIRMAN: No, no, he has never made that statement. The only point, Mr. Heaps, that Mr. Buckle has made is that there is a wide gap there which he considers to be unfair, and he is asking that some steps be taken to raise the price of the winnings of the farmer up to something like this level.

Mr. HEAPS: Yes, but he has made the definite statement there, according to that chart, that railway workers are earning 70 per cent now than they were in 1914.

Mr. KENNEDY (*Peace River*): Not now.

The WITNESS: Taking 100 in 1914.

Mr. HEAPS: Yes, taking 100 as the base.

The CHAIRMAN: Yes, that is it.

The WITNESS: All I have to go by is the report issued by the Department of Railways.

The CHAIRMAN: You will find Mr. Buckle is not very far out.

Mr. EDWARDS: From actual experience he is very far out.

Mr. KENNEDY (*Peace River*): These are wages in production of commodities, without reference to how many are working or what percentage.

The CHAIRMAN: Or the time worked.

Mr. KENNEDY (*Peace River*): Or wages and the cost of wheat that has been produced, whether it constitutes a correct view or anything. They are all related.

The CHAIRMAN: Yes. Whether he is dealing with total wages rates or total farm rates or any other way, the wages actually apply in the production of commodities. That is his point.



Mr. HEAPS: That is not fair. It should begin with the cost of commodities.

*By Mr. Young:*

Q. Might I ask a question in connection with that? Would the fact that labour is drawing 170 for the amount of work for which it drew 100 in 1913, while the farmer who purchases the product of labour is only getting 73 for what he got 100 for in 1914, account for the fact that so much of labour is unemployed?—A. I could not answer that question. I would not care to answer it. But here is another question that comes up at the present time in connection with the case: Will there be any dispute as to the fact that freight rates are higher than they were in 1913-1914?

*By Mr. Kennedy (Peace River):*

Q. Just explain the chart?—A. I don't know that freight rates are here.

*By Mr. Young:*

Q. Will you answer my question. I think you can answer my question. The farmer's income, you say, is down 27 per cent, the cost of the things he has to buy is up 27 per cent, and the cost of labour going into those goods is up 70 per cent?

Mr. EDWARDS: We challenge that.

*By Mr. Young:*

Q. Does the fact that the farmer has his income so greatly reduced make it impossible for him to buy the products of labour?—A. Well, could you put in this way; that a bushel of wheat in 1914 bought a flannel shirt?

Q. Yes?—A. And this year it takes two bushels. Therefore somebody is bound to lose out, one way or another.

Q. Therefore he only buys one shirt instead of two?—A. Yes.

*By Mr. Kennedy (Peace River):*

Q. Are you arguing that the rate of wages is the only factor that comes into that? You are not arguing that, are you?—A. No. I am just trying to point out what the statistical position is in regard to this chart. I might say this in regard to what the farmer produces,—here is a little phase of your freight rates and the cost,—sugar, coffee, nails, clothing, and millinery averaged 61 per cent higher than it was in 1913 and 1914. Farm implements averaged 49 per cent. That is from eastern Canada to say Regina, in Saskatchewan. It is pretty safe to say along that line that a 60 per cent increase in freight also goes into this, the cost of what the farmer has to buy.

*By the Chairman:*

Q. All of which you are submitting in support of the thesis that the commodity price of farm products is abnormally low, and that by some process the return to the farmer must be raised?—A. Yes, raised.

Q. That is what you are submitting?—A. Yes. Some people contend, and I don't quarrel with it at all, that a proper place to bring this up to is here (indicating).

*By Mr. Sommerville:*

Q. The proper place to bring the price that the farmer gets for his commodities is up to the point of the value of the things the farmer has to buy?—

A. Yes.

Q. Or the price he has to pay for the things he has to buy?—A. Yes. Taking the price of wheat, which I think averaged 67 cents per bushel, No. 1, at the country elevator in 1914, if you did that, you would have to have your wheat, the same grade at the same point, 85 cents a bushel.

*By the Chairman:*

Q. Mr. Buckle, some, shall I say, critics of the attitude of the farmer draw attention to that very handsome rise above the lines of all other commodities that we experienced in the years 1916, 1917, 1918, 1919, 1920, to 1921 and ask this question: What has the farmer to offer as to why that high price should not be advanced as a reason why the low price should not now be complained about?—A. Well, all I can say to that, Mr. Chairman, is that the farmer bought very freely of goods that are manufactured in Canada when he had that money at that point. Possibly if he had put it in the bank he might have had a little more of it now, but those who were making the goods would not possibly be in as good a position as they are to-day.

*By Mr. Edwards:*

Q. Everybody was satisfied then?—A. Apparently they were. You didn't see any commission sitting on price spreads at that time, anyway.

The CHAIRMAN: No, it was the high cost of living then.

The WITNESS: On that basis of bringing it up that I have outlined, you would have to have wheat at 85 cents.

*By the Chairman:*

Q. Winnipeg price?—A. Yes, Winnipeg; and butcher steers, for instance—they were \$6.55—approximately would have to go up to \$8.42.

Q. Toronto price?—A. No, Winnipeg price. And lambs—they were \$7 a hundred at this point—

*By Mr. Sommerville:*

Q. In 1914?—A. Yes. You would have to go up to \$8.85. I believe at the present time, that lambs not in regard to purchasing power, but the price of a lamb in so far as getting it back to the 1914 basis, has already got there. I think it has just about reached the 1914 basis in value, but not in purchasing power, because you have got this 27 per cent to contend with in there. Bacon hogs were \$8.10 approximately in 1914. The price of bacon hogs, to bring them up to that point, would have to be \$10.30, which all would be very satisfactory if it could be done. What I think is this, that this point should be brought to here (indicating).

Q. That is, the price of—A. —of the farm products should be brought to this point (indicating).

Q. To the basic line?—A. Yes. And what the farmer has to buy should be brought down to that point (indicating).

Q. Brought to that line?—A. Yes.

Mr. YOUNG: The 1914 level.

The WITNESS: Then we would be back to the fairly satisfactory position, I think, in so far as those two were concerned, of 1914.

*By Mr. Kennedy (Peace River):*

Q. That is on commodities, Mr. Buckle. But what about those other lines you have got, taxes, et cetera?—A. Well, I think they would possibly—as a matter of fact, if you notice, taxes have taken a pretty fair drop as it is, at the present time.

*By Mr. Young:*

Q. That is municipal taxes?—A. Yes, municipal and school taxes.

Q. But not other taxes?—A. Not other taxes. That just covers those two.

Mr. KENNEDY (*Peace River*): That would not cover the debt situation.

*By the Chairman:*

Q. I notice the dotted line on the chart representing wholesale commodity prices has actually gotten down to the base line of 1914, 100?—A. Yes it was that way for a while, but it has gone up again to here (indicating) now.

*By Mr. Sommerville:*

Q. Up to about 15?—A. 15 above again, now.

Q. What is the consequence of that, as compared with the dotted line of things the farmer buys; why don't they come down relatively?—A. Well, I could not explain that, Mr. Chairman. Those are the absolute positions of those, and I think that would come well within the ambit of this committee.

*By the Chairman:*

Q. Have you any definition of the things farmers have to buy?—A. Yes, I have got a list of them, if you would like to have it. There are 146 of them.

Q. That is a pretty stiff list. You might attach that list to the chart, and then the bureau can check with it, and get an idea of what it means?—A. Apparently, Mr. Chairman, our cousins to the south are endeavouring to do that very thing, that is, to bring the value of agricultural commodities up to this level.

*By Mr. Sommerville:*

Q. Up to the level of what the farmer has to pay?—A. Yes.

*By Mr. Young:*

Q. Can you tell us how they are succeeding?—A. Well, the latest reports from the trenches are not very good. That is why I say it would be better, in my opinion, to bring the two together at the common basis they were in 1914. But that is the whole question that bothers our farmers at the present time in Saskatchewan, the fact that what they have to sell is out of proportion altogether in relation to what they have to buy. Of course, there are genuine price spreads. We have read in the newspapers of certain statements that have been made by individuals as to the value of beef steak in regard to the value of the steer, the value of lamb chops and so on and so forth. But, of course, beef steak does not represent a steer. There are certain processing costs involved in that which, of course, would have to be thoroughly investigated to find out if that spread was correct or not. I am informed that in the city of Winnipeg, for instance, where a loaf of bread sells for 6 cents—

*By Mr. Heaps:*

Q. One pound? Is that a 16-ounce loaf?—A. Well, I didn't get the weight of the loaf. That is the value. The point I wish to make is this: It has been proved by figures that if the miller got the wheat for nothing, the loaf would still cost 5 cents. The point to determine, of course, would be whether that 5 cents was a legitimate processing charge or not.

*By Mr. Senn:*

Q. There is distribution, too?—A. They say iron ore in the ground does not hold much relation to the finished automobile. There are certain costs in



between, and I imagine that is the duty of this committee, to investigate to find this out. I am perfectly convinced in my own mind—I may not be right, of course—that if something can be done to bring these two lines together, agriculture in western Canada will be on a better basis than it is at the present time. I don't know, Mr. Chairman, whether or not this committee would be in a position to get that information. I imagine that what possibly will have to be done will be to set up a fact finding committee to go into these various matters, something as we have done in the province of Saskatchewan in regard to ascertaining what the farmers' debts were. A qualified home went into the farmers' homes and examined their records. It was absolutely confidential of course. As a result of that, certain figures have been produced that I don't think can be disputed.

THE CHAIRMAN: All right, Mr. Buckle, you broke off giving your brief. Will you proceed?

THE WITNESS: The great disparity between the prices of farm products and industrial products is, in my opinion, one of the most serious questions which our farmers have to face; and since it concerns not only them, but the whole industrial fabric of the country as well as the financial interests, a solution should be earnestly sought by financiers, industrialists and labour leaders, as well as farmers.

Human welfare depends ultimately upon abundance rather than scarcity; but in the final analysis industrial welfare, as well as agricultural welfare, depends upon a fair exchange of the products of agriculture for the products of other industries. Agriculture must not continue in its present helpless condition merely because it has been successful in the production of an unprecedented volume of cheap food. This adjustment, I submit, is equally a problem for finance and industry as well as for agriculture and, in the absence of an early adjustment, it is probable that the development of home handicrafts will continue at an accelerated rate because of diminished purchasing power.

You will probably suggest that these factors of agricultural production will ultimately be taken care of through the adjustment of supply to demand. May I submit that adjustment of supply to demand has been so obstructed and impeded that it seems necessary for a strong national policy to be developed to relate these factors more equitably the one to the other in Canada.

The inquiry which is being carried out by your committee is, in my judgment, of very great importance indeed, and intended to benefit the people of this Dominion; but if it results in raising wages in industrial establishments and in increasing the cost of living generally without bringing about a corresponding benefit to agriculture, in higher values of grains, live stock and live stock products, the net result to Canada will be a loss rather than a gain.

There is another important question, outside the scope of your inquiry, affecting agriculture as well as industry and finance, which I wish only to mention, if you will allow me to do so. I refer to the interest on public and private debt. A tremendous burden would be lifted from agriculture if a drastic cut in interest rates were made, taxes could be reduced and the beneficial effect upon both industry and agriculture would be almost immediate. We have heard rumours of plans for dealing with this question and I hope that some solution will be found.

In this brief statement, I have tried, Mr. Chairman and gentlemen, to indicate the forms and the degree of agricultural development in Saskatchewan and to show the efforts that have been made and are being made to provide agricultural products acceptable to our customers, both domestic and foreign. I have indicated my belief that in their own behalf both financial and labour interests should consider the plight of agriculture and endeavour to remove the disparity which prevents a fuller and a more adequate exchange of the products of the

factory for the products of the field. I have referred to these matters only because the urgency of the case impelled me to review the conditions of agriculture in my adopted province and because I believe that those conditions can only be satisfactorily met by a frank recognition of the facts by the people of Canada who are not engaged in agriculture and through an earnest effort on their part to aid in making adjustments so that not agricultural welfare alone, but Canadian welfare may be promoted.

Referring back to the matter of labour and agriculture, I heard a very pertinent remark made in the smoking car of the train the other day by an agriculturist. In the province of Saskatchewan they have an amalgamation of political thought representing both labour and agriculture. What he said was this, "As long as the hoghead on the head of a train insists on getting \$200 or \$275 a month to haul my 25 or 30 cent wheat to the head of the lakes, I don't see where he and I can agree materially."

You have heard from a number of witnesses interested in the production or in the marketing of live stock the opinions they hold respecting the industry and their recommendations regarding desirable changes in the transportation and marketing of live stock. Views have been expressed as to the effect of country buying by packers and the effects which a diminished volume of stock, passing through public stock yards, has upon live stock prices.

These matters have been discussed before you very fully by other witnesses; and once again a great deal of the information that has been submitted has been more or less a suspicion or a doubt, without the ability of the individual to lay his finger upon the exact spot. That is why I say that I think a fact-finding committee may have to be set up before this question can be adequately dealt with.

I do not propose to enlarge upon these questions at this time, although I am sharing in certain recommendations respecting the live stock industry and live stock marketing—recommendations, I may say, which were prepared in collaboration with the Ministers of Agriculture of Manitoba and Alberta, and are, therefore, joint representations of those Ministers and myself. I believe you have already heard from Hon. Mr. McKenzie of Manitoba, regarding them and are familiar with the recommendations made. I would like to say in conclusion that if your Committee is unable to make a complete inquiry into the marketings of live stock, I would strongly urge, as expressed in one of the joint recommendations, that you provide for this to be done in such a way as to clarify the situation and help restore the confidence and courage of the live stock producers of this country.

*By the Chairman.*

Q. Are the recommendations as submitted here the same as those submitted by Mr. McKenzie yesterday?—A. Yes.

Q. I do not think there is any need of reading them. Make a note in the record that they are the same.

Recommendations noted as being identical with those submitted in the brief presented by the Hon. D. G. McKenzie before this committee on Tuesday, April 17, 1934.

*By the Chairman:*

Q. Might I ask you one question before you leave these recommendations: it is suggested that further investigation should be made of the effect upon live stock prices of direct purchase figures. This is one of the subjects we have been hammering away at for some weeks. Could you give us anything out of your experience upon that particular subject?—A. I am very much in the position of other witnesses, I have no concrete evidence to support that. I may



say this, however, that it is a very short while ago that the farmers were coming to me complaining that the charges in the stockyards—and undoubtedly in my mind the deviation of live stock from the stockyards to the plants direct has been occasioned somewhat by the dissatisfaction with the treatment that they were getting at the stockyards.

*By Mr. Sommerville:*

Q. But is that a real fundamental reason for the direct shipment, do you think?—A. I am not in a position to state definitely, but I do know that that is part of the reason at any rate.

*By Mr. Young:*

Q. Do you know anything about the charges at stockyards?—A. Something—you mean commission charges.

Q. Yes?—A. Charges to the buyer.

Q. I have here a copy of the statement from Northern Saskatchewan: a farmer consigned a sow from market to the stockyards; she was sold at \$7; there was a condemnation fee of 3 cents; expenses and other charges 87 cents per hundred pounds—\$2.38, a total of \$4.59; then there was a deduction of 5 cents under clause C of a certain contract, and a deduction of 10 cents under clause D of the same contract—membership fee at \$2; so that the farmer got out of his \$7 the total sum of \$2.44.

The CHAIRMAN: That membership fee would be in a co-operative society?

Mr. YOUNG: Yes.

Mr. SOMMERVILLE: And what was the rail rate on that?

Mr. YOUNG: The railway rate would be included in the 85 cents expenses, I think.

Mr. SOMMERVILLE: The railway rate would be about 10 cents per hundred, would it not?

Mr. YOUNG: I do not know what the rate would be on that distance.

*By Mr. Sommerville:*

Q. You are talking of market charges, you are not talking about railway charges?—A. Stockyard charges; for feed, yardage, and commission on sale.

Q. And the commission fee for sales; that is what you were talking of—stockyard charges?—A. Yes. I might say this also in connection with that, that very often you get an unjustified complaint in regard to what the farmer receives for his stock. That is to say he imagines that he is getting a far different article than what it really is. I just had a communication the day before I left to come down here which serves to indicate what I mean: this man in February of 1932 had been offered \$5 per head for five animals that he had. He fed them another year and realized \$4.35 net, after his various charges had been taken off; and on checking back I found that these four animals undoubtedly must have been nearly two years old—they weighed 2,161 pounds, the four of them.

*By the Chairman:*

Q. They were scrubs?—A. Apparently—they were not what you might call quality animals; and there is no doubt, especially in Saskatchewan where we have suffered from feed shortage for a considerable time, that many of the animals have been rushed to market in an unfinished condition.

*By Mr. Sommerville:*

Q. In your recommendations I observe that both your legislature and your department join in the recommendation that packing plants should be



brought under the same regulations as now apply under the Live Stock and Live Stock Products Act—and by that you mean that there should be an independent weigh master at the packing plant to weigh the farmers' produce?—A. I think that would be a good thing, yes.

Q. And that there should be government graders to grade his products when they arrive?—A. I feel that that would be a good thing.

Q. And that the price should be put on the ticket, with its weight, at the packing plant, the same as when it is weighed at the stockyard?—A. I think that is only a natural desire on the part of the producer.

Q. And that all this information should be available to the Department of Agriculture and to the public, in ascertaining both the extent of the market and the prices that are being paid?—A. Yes.

Q. And you think that these things would be in the interests of the producer?—A. Yes. I might say this though in connection with that—I do not know whether I am correct or not—but at that meeting in Winnipeg (Mr. McKenzie can correct me if I am wrong) that Mr. Hunter who represents the packers was there, and stated that they would support legislation that would force all live stock through the stockyards normally. Is that correct?

Hon. Mr. McKENZIE: Not exactly correct, Mr. Chairman; what he suggested was that they would not oppose it.

*By Mr. Senn:*

Q. Before leaving that stockyards question, there is a question I would like to ask: the suggestion has been made that stockyards instead of being under private ownership might very well be taken over by the provincial administrations and operated by them—have you any opinion to express in regard to that?—A. Yes, I have quite a good one: we have enough business to handle now without taking over public stockyards; the government in business is pretty well occupied at the present time.

*By Mr. Sommerville:*

Q. If it is a public utility and a public service why not conduct it through public channels?—A. The legislation is there, and if it is lived up to I do not see any reason why the government should take it over.

Q. May I ask if Mr. McKenzie is of the same opinion as Mr. Buckle?

The Hon. Mr. McKENZIE: Oh, absolutely; I think it would be extremely unfortunate if you had stockyards under provincial jurisdiction, because then you would have varying conditions in every province probably.

*By Mr. Edwards:*

Q. What about Dominion jurisdiction?

Hon. Mr. McKENZIE: I am in favour of it.

Mr. EDWARDS: And Mr. Buckle too.

The WITNESS: Well, that is a good old western pastime.

*By Mr. Kennedy (Peace River):*

Q. With regard to the question of applying the provisions of the Live Stock and Live Stock Products Act, would not you simply be creating a lot of duplication that will have to be paid for by the producers. I cannot understand the value of that. Would it not be just as well to have stock going through the stockyards, where you have the application of this Act, and in that way to control prices and reduce them?—A. Well, that might be the better way, but is a

convenience to the farmer, I think—but duplication, you mean the weigh-master and things of that nature, would be unnecessary.

Q. The more duplication you have the higher the costs are going to be, and if you want the Live Stock and Live Stocks Products to be applied it would seem that the less machinery you have and still keep efficiency in operation with it, the lower your cost would be in the long run?—A. Efficiency in operation is much to be desired, of course.

*By Mr. Sommerville:*

Q. One problem has troubled all the members of this Committee and perhaps you might throw some light upon it: at the present time by direct shipment through truckers the farmers' cattle are graded by the buyer, the price is fixed by the buyer, and the buyer does the weighing at his plant—in the brief submitted yesterday by Mr. McKenzie that was the statement—that it was favourable to the buyer—well, under that system, can you tell this committee why the farmer continues to supply his live stock to the plant?—A. Well, I don't think that I can; I am not an expert on the complexities of human nature. We get the same thing in the trucking-in of eggs from merchants themselves; he goes to sell the eggs to the trucker in direct contravention of the Act itself, and then complains about it. It is probably a matter of convenience to them; but why the farmer with every facility at his control prefers to do that—I never looked inside his head to find out.

Q. It might require a surgical operation? What effect has the trucker upon that situation?—A. I cannot tell you that.

Q. Is he a factor in inducing the farmer to market his live stock in that manner—is he influenced in bringing them to market to the plant as against the stockyard?—A. It is a question of salesmanship, of his ability I suppose to haul it through the market and to get the best price he can for the farmer; and if he can convince the farmer along these lines I imagine, unless he is legislated out of existence, that these conditions will prevail.

Q. While you are here Mr. Buckle as representing the Department of Agriculture; we had some representations from Mr. McQuarry as to the effect upon farm products of the sale of farm products by chain stores as loss leaders—that is, offer them at very low price—and the effect which that had upon prices; have you any observations to offer to this committee in that regard?—A. Except that it prevails.

Q. It prevails?—A. Yes, and I do not think it is good business.

Q. Why not?—A. Well, they naturally want to buy this stuff as cheaply as they possibly can to put it on as a loss leader, so that their loss would be less; and I imagine in some instances they endeavour to beat down the price with ultimate loss to the producer.

*By Mr. Senn:*

Q. Yesterday and to-day certain charts that were shown by Mr. McKenzie and yourself, showed a heavy fluctuation in farm prices, some of them weekly fluctuations, some of them monthly, and some of them extending over longer periods. Have you, apart from the one recommendation of sending off cattle through stockyards, any other recommendations to offset these wide fluctuations?—A. I do not know whether any stabilization of currency would have any effect on that or not, it would, it seems to me no doubt.

Q. Would it be possible for any government agency to set or control prices?—A. There is no doubt that governments could possibly do what they liked—in so far as public opinion would let them.



*By Mr. Sommerville:*

Q. We have the evidence of Mr. MacLean that so far as the export of cattle was concerned, and so far as cattle production is concerned, we consumed in Canada approximately 98 or 99 per cent of the entire production. That is so. What suggestion have you to make as to whether or not a price might be fixed for the sale of cattle?—A. Do you mean in regard to export cattle, or relating to the domestic market.

Q. No, I mean fixing a minimum price for one grade of butcher cattle in Canada on the market?—A. That would depend on the price of what goes to build up the animal, as to whether or not that could be done effectively—the price of grain, and so on and so forth.

*By the Chairman:*

Q. Would you favour a minimum price—for instance, in your charts you gave figures which showed that the price of 1914 lambs was  $8\frac{1}{2}$  cents, and fat steers  $8\frac{1}{4}$  cents, and so on; would you favour a minimum price below which live stock should not go?—A. Well, I think as far as I would care to go in that regard would be this; to say that if a price could be arrived at that would be fairly stable, that would give a satisfactory return to the producer and at the same time keep the consumer satisfied, it might be good business to undertake that. But Mr. Wallace speaking of the States not so long ago, said this, that we have got the producer satisfied, we have got the distributor satisfied, but the lady on the other end is not satisfied—she is the one you have got to deal with ultimately, in the long run—that is, the housewife.

*By Mr. Heaps:*

Q. I wanted to touch on the question of wages; I think you stated you would like to see the wages of the labourer have the same relation to the farmer as what he is receiving for his product—did you make that statement?—A. I said, I would like to see the cost of what the farmer has to buy more in relation with the commodities he has to sell; and labour was of course one of the factors that came into it.

Q. Would you refer then to see a reduction to-day in the hourly rate of labour?—A. I am not saying that, no.

Q. How would you prefer to bring it about?—A. Well, it might possibly be justified—cost of food is cheap in relation to the price of food at the present time—that might be reduced, yes.

Q. That is, labour costs you say might be reduced; or the cost of goods might be reduced?—A. I am of the opinion in regard to what the farmer earns that either farm labour might be brought down, or more nearly to its relative value.

Q. You would favour reduction rates for certain classes of workers I think you said?—A. I think they have been trying for some time to get that; of course the labour unions are pretty strong and they are objecting pretty hard, but they have effected one saving in railway wages, as I understand it.

Q. Here is a chart submitted to the committee this morning. I notice that you have your index prices here on wholesale commodities for the year 1932 as 100?—A. Yes, it got down to the level of 1914 apparently at that time.

Q. You have wages here at 180 at the same time?—A. Yes.

Q. Can you explain why wages were at 180 and wholesale commodities were at 100?—A. No, I cannot; I am not expert enough for that. I have carried these lines out, but if you have an expert here who could dispute my evidence as to where the lines will end, I am willing to be shown.

The CHAIRMAN: Wait a minute, wholesale commodities in the normal sense of the word reflects the position of commodity values quite apart from wages,



and the difference between the two there fairly well reflects the situation from the commodity standpoint.

Mr. SOMMERVILLE: In other words, if labour and farm products both constitute 50 per cent of wholesale commodities then you would have it just on the basic line.

Mr. HEAPS: Here you have it coming down all the time until you get to 1933 here?

Mr. YOUNG: Wholesale prices have been brought down by the reduction in the price of raw materials, not through reduction in wages.

Mr. HEAPS: I would not accept that. If wages are as important a factor as they claim to be in determining the cost of the commodity, I cannot see how they remain at that level while commodities came down the way they did.

The CHAIRMAN: Take commodities that we do not produce except in small commodities in the West—take sugar at that point—sugar was about a cent a pound or three-quarters of a cent a pound, and in 1914 I imagine it would be around 2 cents or a cent and three-quarters—that is a tremendous factor in commodity prices, sugar alone. You could take bread products and their place in Canadian consumption.

Mr. SOMMERVILLE: That would increase everything, agricultural products included.

The CHAIRMAN: Quite so, and I am saying to you that in some of these cases they go away below that line. However, we will have Mr. Coats or one of his experts, come here after they have had an opportunity of examining that chart, and they will make any corrections or changes that an examination would disclose; but I am under the impression you will not find many things wrong with it.

The WITNESS: There is no doubt whatever that one of the important arguments against the contraction of these different lines is when you come to the fundamentals of what the farmer has to buy and what he has to sell—that spread is absolutely there.

*By Mr. Young:*

Q. Have you any figures, or have you made any investigation, as to the wages the farmer receives after his expenses are taken out of the price he is getting; what wages does he get?—A. Zero, I think.

The CHAIRMAN: That is about it?

Thank you, Mr. Buckle.

The Witness was discharged.

The Hon. D. G. McKENZIE, Minister of Agriculture for Manitoba, recalled.

*By Mr. Sommerville:*

Q. In presenting your recommendations yesterday, in dealing with the question of live stock, your very definite recommendations were that the Live Stock and Live Stock Products Act should be made to apply to all abattoirs: would that include the setting up of independent weighmasters?—A. Quite, under government supervision.

Q. And, independent of the packer?—A. Quite.

Q. Employed and paid independent of the packer?—A. Paid by the government.

Q. And the setting up of machinery to put the price on the ticket when the cattle are weighed?—A. Yes.

Q. And the setting up of independent government graders?—A. There is just one point there, in so far as hogs are concerned they are now graded at the packing plants; but it would involve the grading of all commodities in so far as it is government grading.

Q. What about the setting up of duplicate machinery such as Mr. Kennedy has referred to?—A. I would desire to suggest this, Mr. Chairman, that you will notice in the recommendations we make that in the group with respect to which we are asking for further inquiry, we suggest that the whole question of direct shipment to plants should be gone into. If I were to express a personal opinion I would say without hesitation that I would stand for direct shipments to plants (stockyards—see correction) in so far as it is possible to get it; but in the meantime we want to bring our packing plant, because of the fact that they are now functioning almost as a permanent market, under exactly the same regulations as applied to the public yards. The duplication would not be very great.

Q. What would be the effect upon the public stockyards if direct shipments continue to increase for the next five years in the same proportion as they have during the last five years?—A. I think that there you are getting at the very crux of the situation; recognizing the trend of the last five years, the fact that the trend is so definitely to the packing plants means that if it continues for another five years in the same proportion as at present, I think at the end of another five years our public yards would be put out of business.

Q. What effect would that have upon the industry?—A. Absolutely disastrous to the producer.

Q. Why?—A. Because it would eliminate the only competitive market he has.

*By Mr. Factor:*

Q. Well, you favour shipments direct to plants?—A. No, no.

*By Mr. Sommerville:*

Q. In your previous answer, Mr. McKenzie, you said you favoured direct shipments to plants—what you meant was direct shipments to the public yards?—A. I beg your pardon, if I said that, I certainly did not mean to say it.

*By Mr. Young:*

Q. I think he said they would not mind shipments direct to plants, if they had a weighmaster there?—A. As a temporary provision till the whole matter can be looked into.

*By Mr. Sommerville:*

Q. But the loss of the public stockyard you think would be a calamity to the industry?—A. Absolutely—I have no hesitation in saying that.

Q. Perhaps through your knowledge and experience you could give the committee an answer to the riddle as to why the farmer continues to ship to the buyer who weighs grades and fixes the prices; what is the dominating factor there?—A. Well I would say that the dominating factor, if we can so describe it, is the truck driver.

At the request of the Chairman, Mr. Senn took the Chair as Acting Chairman.

*By Mr. Young:*

Q. Why?—A. The truck driver goes into the farmers' yards. His business primarily is getting freight for transportation purposes. He goes into the farmer's yard and gives service to the farmer in that he loads up perhaps in the evening and removes from the farmer the necessity of delivering his stock

to the shipping point; and the farmer ordinarily is not concerned as to where he delivers it, and he leaves it largely to the trucker himself to determine where he goes. I do not want to leave the impression there that all truckers go to packing plants.

Q. I quite understand that?—A. Some of them go to the public yards, and I imagine many of them will take instructions from the shipper, but in the absence of these instructions the trucker, I think, is largely responsible for the growth of direct shipments to plants.

*By Mr. Factor:*

Q. I just want to ask this question: I received a letter from the drover on this question of direct shipments to plants and stockyards, and here is what he says, "The drovers of this country are not dumbells. They sell where they can get the most money. It is better for farmer, also for themselves, or they would not be selling direct to the plant. I have been buying shipping for twenty-five years and I think I sell at least 90 per cent of my hogs direct to the plants. My experience has been the packer will pay me as much direct as he pays on the market, and why should I pay \$10 to some commission house to sell them. When you do sell them through a commission firm, they often tell you what packing house to bill the car into. Supply and demand will rule all market prices. It is the law of nature and no man-made laws can change it." What is your reaction to that?—A. I would say that that is a perfectly valid defence for short-haul shipments, that is to say within 50 to 60 miles of the market, where the farmer can move his stuff directly within two or three hours. In cases such as that I think the defence is perfectly sound. On the longer hauls sales through the yard are on a basis of fed-and-watered, and I think the farmer then gets more by reason of the fed-and-watered basis than what he saves in yardage charges by going direct to packing plants. But apart from either of these features, I am tremendously disturbed about the present trend, and I hold the view very strongly that the maintenance of public yards is absolutely essential to the future of the industry. If the present trend keeps up, instead of 50 per cent of our hogs going to packing plants, we will find 90 per cent of our stock going direct. Our public markets can not then function, and in the absence of their functioning, the only competitive market the farmer has is lost to him entirely.

*By Mr. Young:*

Q. What do you say to the paragraph read from a letter by Mr. Factor—complaints by the shipper that the commission firm tells him to bill direct to the plants?—A. I do not know what the answer to that is, I do not know what the circumstances are.

Mr. EDWARDS: Would they not have the value of competitive prices?

*By Mr. Sommerville:*

Q. Yes. The commission man may have sold them and had them bill direct to the plant for slaughter?—A. Yes.

Q. I think that is one of the things Mr. Oswin said, that at times they were able to get better prices for the drovers and told them to ship direct to the plants. There was some reference to a conference that took place at Winnipeg with the packers on this question of direct shipments. Will you give us the benefit of the answer that was made by them to your representations?—A. The conference referred to was immediately held in Winnipeg, I think on the 20th December; a meeting called by myself, and all those interested in the live stock industry, including the packing plants, the railways, the departments of agricultural both provincial and federal, the commission firm and representatives of producers.



Q. Yes?—A. It was a conference in the strict sense of the word. It was not intended to arrive at any decisions that day; it was rather the representatives of the various branches of the industry discussing quite frankly the whole circumstances of doing business. At one stage in the afternoon, as I recall it, the question was asked of representatives of the packing plants if they would oppose or support legislation designed to force everything going directly to the yards. As I recall it now, the answer given was that they would not oppose such legislation.

*By the Acting Chairman:*

Q. You heard the question I asked Mr. Buckle in regard to price fluctuations and matters of that nature, which I think you emphasized quite strongly yesterday in your chart. Have you any suggestions to offer, other than what have been offered, regarding the stabilization of prices or control of prices by governmental agencies, public utility commissions and so on?—A. If you will take anything I say as a personal opinion only, I doubt, frankly, very much the value of any attempt to fix prices, even minimum prices. I doubt it very, very much. For instance, if you attempt to fix a minimum price for beef, the price, if it was based on the costs of production, in itself would be very desirable perhaps, but it would only have value if the beef would sell at that price. If that price was out of line with the price of other foodstuffs, you would not get any consumption of beef and consequently you would not help anybody.

Q. In a position such as this where, as you stated, the price of these farm products largely depends on the price obtained for the exportable surpluses, would you be in favour of any attempt to lift those surpluses and reimburse those who were lifting them or those who were ordered to lift them?—A. Well, as far as I have thought my way through the problem, again I have got to say that I am not convinced as to the merits of any scheme of that kind. What I do subscribe to without any hesitation is contained in the one sentence that was repeated several times in my brief, that consideration must be given to ways and means of getting back to the producer the biggest possible proportion of the dollar that the consumer pays?

Q. These questions I was asking were along that line; the means is what we want to ascertain, and we want suggestions as to what those means should be?—A. Yes.

*By Mr. Sommerville:*

Q. Mr. McKenzie, yesterday in your brief you referred to bonding shipping agents and drovers et cetera. Do I understand that under the term "shipping agents" you include truckers?—A. Yes, because most of those truckers are shipping agents.

Q. There is no reference to that in the brief?—A. Not specifically.

Q. Not to that specific point, and I just wanted to clear it up?—A. Yes.

Q. Perhaps you can give us the benefit of your advice as to whether or not there is price fixing between the limited factors on the market?—A. Again, sir, I am pretty much in the position that Mr. Buckle finds himself in. It is exceedingly difficult to prove anything in that respect, but the general circumstances of the situation would suggest that at least there is some influence operating that does definitely regulate prices.

Q. What do you mean by that, Mr. McKenzie?—A. Well, I don't know how I can make it any clearer than that.

Q. You say there are influences; influences between whom?—A. Well, influences in between the final consumer and the producer of the product.

Q. Who are your largest buyers on your market?—A. The packing plants.

Q. What do you say as to whether or not there is any measure of price fixing between the packing plants?—A. I would say there is. I think it is

extremely natural that they would endeavour to buy as closely as possible; and while at times there is, I think, competition, I am disposed to think that at other times there may not be. But again, I think your committee should examine one other factor that is related to that. I cannot just say how far the packer can influence prices in respect of certain meat commodities. Generally speaking, I think he has to buy on a replacement basis, and under the conditions that he sells to-day as compared, perhaps, with conditions that he sold under a few years ago, I am not just sure that he is in a position to determine very definitely his own selling price, because he is selling to-day perhaps to a limited number of customers that buy in large quantities, as against a very large number of customers a few years ago that were buying in relatively small quantities.

Q. Perhaps you will develop that a little further. You are referring to chain store buyers, are you?—A. Yes.

Q. Will you develop that, because I understand that may be the crux of the whole situation. Is there a price domination or price dictation or price control from that end, that reflects back through the packer on the price paid for the stock?—A. Well, may I answer it rather indirectly, and put up a suppositious case? Here is a packer with a certain quantity of meat to sell, that he can only retain for a limited period of time. If he has got two hundred buyers coming to him daily to take one or two carcasses from him, it does not mean very much to him if he is able to say to the buyers, "You can have the carcasses for such and such a price." As opposed to that, today he has perhaps ten or twelve large buyers that come to him and they say, "We are not buying two or three carcasses, we are buying two or three hundred carcasses." The quantity and the demand is such that it makes it extremely attractive to the packer and there, instead of the packer saying, "My price is so and so," the buyer, perhaps, says to the packer, "I will pay you so and so." If he does say that, the packer in turn is forced to go back to the producer and buy his replacements on the basis of the price offered by his own customers.

*By the Acting Chairman:*

Q. Do you think that that accounts for the price fluctuations, largely?—A. I would not like to say positively that it does, but I do think that it is a factor.

*By Mr. Factor:*

Q. What is the solution, Mr. McKenzie?—A. I don't know. I take it that that is the work of this committee.

*By the Acting Chairman:*

Q. That is the crux of the whole situation, and I think you will admit that, will you?—A. It is a very important factor.

Mr. SOMMERVILLE: You will remember that Mr. MacLean stated to us that they got what they could for the product; they take what is necessary for the processing, plus a reasonable profit, and whatever is left goes back to the farmer. Now, if it is as you say, the buyer who says, "This is my price," that may be the crux of the whole thing.

Mr. FACTOR: You would not expect the buyer who buys 200 carcasses to pay the same price as the buyer who buys one.

*By the Acting Chairman:*

Q. You made a statement, Mr. McKenzie, that you did think there was a certain amount of price fixing going on somewhere in there. What organization, for instance, would have a better right to fix prices than a governmental body that could exercise at least some control over it? I am not saying that they should arbitrarily fix prices, but could there not be some control exercised?—



A. Yes, I think there might be some control. I don't know just how you could exercise it, but the desire I would have is to make your market as competitive as possible, to permit within the confines of the market the greatest possible length of free competition.

Q. How are you going to have competition when there are only three or four large buyers operating on the live stock yards? Is there not too much danger of collusion there?—A. I think there are possibilities of collusion, and it may be necessary to exercise some regulative authority in there. How it will function, I cannot tell you.

*By Mr. Kennedy (Peace River):*

Q. I don't suppose it is necessary to ask you this, but maybe I had better because I want to follow it up. You agree that there must be some improvement in the price of farm products?—A. That is extremely true.

Q. You cannot go on producing at the present levels?—A. Well, I suppose they could go on.

Q. Do you think there is any real danger in fixing a minimum price on the better quality of farm cattle and hogs, for instance,—danger of interfering with someone?—A. I think it is a question of determining where your minimum should be.

Q. It should be higher than the present price, anyway?—A. Well, perhaps it should. But if you get it above too high a price—take for instance the position of pork in the Winnipeg market to-day. Pork products have gone up. The price of hogs have gone up substantially in the last few months.

Q. As compared with cattle?—A. Yes, compared to cattle. As a consequence of that, pork products sold from the packing plant have also gone up, and one of the packers told me in Winnipeg—

Q. No more than what is justified by the rise in hog prices?—A. I could not say as to that. I assume it has some relation to the hog price that is prevailing. One of the packers told me the other day before leaving Winnipeg that their sale of hog products had dropped off 50 per cent in the last two or three months, and the people were now turning to beef. I think that is so, because the general price level of beef on the Winnipeg market, taking the whole run of grades, is practically up a cent a pound.

Q. Do you think if the beef prices had been substantially raised close to pork, it would have resulted in a general decrease in the consumption of meat products?—A. Yes, they would have turned to more eggs.

*By Mr. Factor:*

Q. That is the danger?—A. Yes; and we have a lot of fish in Manitoba.

*By Mr. Kennedy (Peace River):*

Q. In order to get prices up, do you think we need to increase the consuming power of the people of Canada?—A. Yes, absolutely.

Q. Through monetary policy or any other policy?—A. I refuse to be drawn into a discussion of monetary matters.

Mr. FACTOR: I could suggest another remedy

Mr. KENNEDY (Peace River): All right, suggest any remedy.

Mr. FACTOR: A change in government. It all depends, ultimately, on the consumer.

*By Mr. Sommerville:*

Q. Mr. McKenzie, we had had a great deal of evidence voicing objections to the basis of selling hogs on the fixed differential, and favouring the selling of them on a quality basis, according to separate grades. Would you like to



express an opinion to this committee in respect to that?—A. I mean, a fixed differential on the cuts, not on the selects?—A. I was going to make that classification. I think it is necessary, in order to secure a quality product, that a premium should be paid for quality products. But I am not sure but what the producer is losing by reason of the fixed differential on the lower grades. Again I would like to suggest to your committee that you consider the possibilities of auction sale as a means of securing for the producer the full value of his lower grades of hogs.

*By the Acting Chairman:*

Q. That is in the stockyards?—A. Yes.

*By Mr. Sommerville:*

Q. As to the question of the premium, have you any observations to make as to which is the better plan, a fixed premium or selling of the hog on its merit for whatever it will bring in the matter of a premium?—A. I do think there is a real value in a fixed premium for a quality product.

Q. Have you any observations as to whether the premium of one dollar now fixed is sufficient, in view of the demand for first-class products in the British market?—A. I would like to see it a little more but for this danger, Mr. Chairman: If that premium was widened, I would like to know that it was not widened at the expense of the producer who is not fortunate in marketing a quality product.

Q. At the expense of him?—A. Yes.

Q. If the cuts were increased below that level?—A. Exactly.

*By Mr. Kennedy (Peace River):*

Q. We had some evidence here regarding lower grades of cattle being marketed through the yards. It was suggested by one witness that if five or ten per cent of the lower quality cattle were taken off the market and used for fertilizer or put in tanks or something of that sort, that it would leave the supplies of cattle in Canada substantially just about enough to meet the demand of the Canadian market. Do you know if that would create a great hardship on certain people who are putting low grades of cattle on the market through lack of feed, or do you think there is sense in the proposal?—A. Well, I don't know. It would all depend upon what the details of the proposal were. I would say this from my own observation in my own province: the problem of salesmanship is never a problem in so far as quality products are concerned. The problem is always to sell the off-grade stock. Unfortunately we have got far too great a percentage of poor grade meat products coming into our primary markets. That brings up a problem that is essentially a problem of the Department of Agriculture in the respective provinces.

Q. Could a grading system be made to apply with regard to cattle, something similar to what we have in the hog trade?—A. I think in part, yes. If you could again establish premiums for quality products, the tendency would be to encourage and secure the greater production of quality products and a smaller production of off-grade stuff.

*By Mr. Sommerville:*

Q. Would it be an improvement if your beef were classed as grades, so that the public might know when they were buying grade "C", that they were buying poor grade beef?—A. Well, again sir, accepting my answer as only personal, because that is one of the questions we have asked you to investigate, I do think it would help consumption substantially if beef were so graded that the customer knew exactly what he was buying.

*By the Acting Chairman:*

Q. Would that not entail the expense of an army of inspectors?—A. I don't think so. The beef would be stamped when it is leaving the packing plants.

The ACTING CHAIRMAN: There are complaints about this blue and red label beef being sold in Winnipeg, and the stores purporting to sell that class of beef while they only have a sample.

*By Mr. Sommerville:*

Q. But the beef is stamped?—A. It would be stamped, all of it stamped, as it left the packing plants, and they could not do that. They can do it now by reason of the fact that there is only the two top grades stamped and everything else is not stamped. Therefore when it comes onto the counter, if the merchant so desires he can say to his customer, "There is a sample of blue ribbon beef or red ribbon beef, and there it is," and he may sell that. That is one of the difficulties at the present time, because they sell inferior quality of beef as good beef, and then the reputation of our good beef is spoiled.

Mr. SOMMERVILLE: There is a great deal of dissatisfaction.

*By Mr. Edwards:*

Q. It has been drawn to my attention that in Manitoba, under the Public Utilities Act, you have fixed the price of milk, for instance?—A. Yes, fixed the spread.

Q. Would it not be possible under the same act to stabilize the price of beef?—A. I don't think the parallel is a good one, because milk is a peculiar product. The application of that provision is confined to one small district, a comparatively small district.

Q. The Winnipeg area?—A. Yes, the Winnipeg area. I don't think you could apply that legislation successfully to the province of Manitoba.

*By Mr. Sommerville:*

Q. It was made necessary by reason of the unbridled competition that existed in the milk business, reflecting back on the producer?—A. Perhaps more particularly competition in the distributing of the milk.

Q. Competition in the distributing of it?—A. Yes.

Q. That is in the sale in stores at low prices?—A. Yes. We had distributors that cut prices.

Q. The distributors cut the prices?—A. The distributors cut the price; they were making milk a leader in their stores. They cut prices to the point where the producer of the milk got no return at all comparable to his cost of production.

Q. All right, thank you.

The witness was discharged.

Mr. SOMMERVILLE: We have Mr. Wright here, president of the Western Live Stock Union, but as the committee is not meeting this afternoon, Mr. Wright will not be called until the morning.

Mr. FACTOR: What have we to go on with?

Mr. SOMMERVILLE: Mr. Wright, and a number of other witnesses on live stock.

The ACTING CHAIRMAN: We will adjourn until 11 o'clock to-morrow morning.

The committee adjourned at 12.50 p.m., to meet on Thursday, April 19, at 11 a.m.

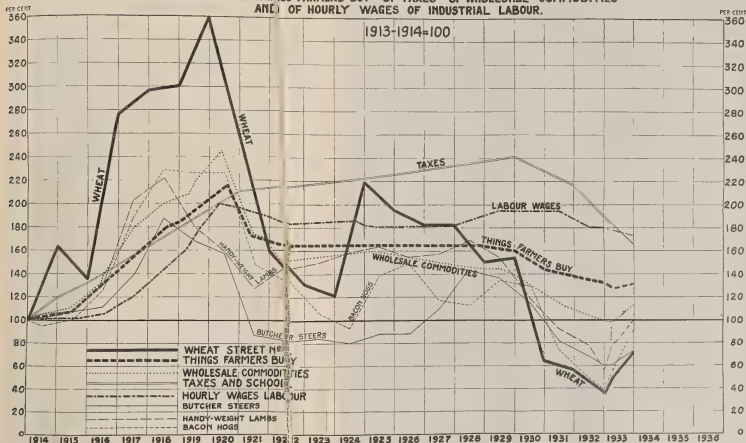
DESCRIPTION OF ARTICLES COMPRISING THE SEARLE INDEX OF THE  
"THINGS FARMERS BUY"

No.	Description	1914	May, 1933	Feb., 1934
1	No. 1 cream separator, 500 lbs.....	37 50	51 00	52 00
2	Standard incubator, 100-150 eggs.....	25 00	16 25	19 35
3	Post maul, 16 lbs.....	0 85	1 00	1 10
4	Post hole digger, 8" auger.....	2 00	1 80	1 60
5	Barbwire 2 point 80 rd.....	2 15	2 85	2 70
6	Barbwire 4 point 80 rd.....	2 30	3 45	3 55
7	Fence staples, 1½", per 10 lbs.....	0 50	0 52	0 52
8	16 ft. Imperial gate 8".....	5 25	7 75	8 45
9	Wire stretcher tackle.....	0 85	1 40	1 45
10	Imperial hog fence 36" per rd.....	0 36	0 46	0 49
11	Imperial poultry fence 60" 10 per rd.....	6 00	6 99	4 80
12	Imperial field fence 42" per rd.....	0 30	0 41	0 38
13	Imperial lawn fence 42" per ft.....	0 11	0 11	0 12
14	Pitcher spout pump 3" x 1½".....	1 50	2 35	2 35
15	Stock spout pump 4".....	11 00	19 75	18 25
16	Imperial 8' windmill head.....	28 50	59 85	62 00
17	Imperial tower 40 ft.....	40 00	89 00	80 00
18	Round end stock tank 2 x 2 x 8.....	10 70	11 75	11 25
19	1½ h.p. engine.....	39 50	64 00	69 50
20	Imperial feed grinder 10".....	32 00	49 50	47 50
21	Hand feed cutter 7½" mouth.....	14 50	5 33	5 10
22	Stock feed cooker 40 gals.....	13 75	20 85	20 75
23	Rubber belting, 3" x 3 pl. per ft.....	0 17	0 18	0 17
24	Leather lacing oak tanned per lb.....	1 20	1 25	1 40
25	Leather belting 4".....	0 42	0 60	0 60
26	Imperial pole saw with blade 24".....	28 00	35 90	33 90
27	Drag harrow, 4 sec. 80 teeth.....	14 20	15 25	16 35
28	Steel tray wheel barrows.....	4 85	6 25	6 25
29	Manila rope 1".....	0 07	0 06	0 06
30	Lariat rope 40 ft.....	1 25	1 10	1 10
31	Doubletrees and neckyoke.....	3 25	3 45	3 75
34	Saddle.....	23 50	27 50	28 50
35	Plow harness.....	12 95	14 85	16 50
36	Teaming harness.....	34 50	31 45	25 95
37	Raw hide halter.....	1 65	0 95	0 98
38	Horse collar.....	3 75	5 50	5 75
39	Sweat pad (felt).....	0 45	0 47	0 48
40	Cook stove.....	33 25	49 95	47 25
41	Queen churn.....	6 10	14 30	13 50
42	Milk can 8 gals.....	3 75	4 95	4 95
43	Clothes basket.....	0 75	0 75	0 75
44	Strainer pail.....	0 50	1 35	1 35
45	Food grinder.....	1 15	2 15	1 80
46	Washing machine.....	7 25	12 95	12 95
47	Blanket felt.....	3 40	3 75	3 50
48	Tar paper, per roll.....	0 65	1 05	1 05
49	Wire nails per 100 lbs. 2".....	3 20	4 25	4 25
50	Scales.....	6 00	13 95	13 95
51	Crow bar.....	0 75	1 45	1 35
52	Gooseneck.....	0 35	0 29	0 29
53	Tent.....	8 75	12 50	13 90
54	Paint per gal.....	1 55	2 30	2 39
55	Shingle stain 5 gals.....	3 75	5 25	5 95
56	Carpet sweeper.....	2 00	4 75	4 75
57	Scoop shovel.....	0 90	1 45	1 40
58	Pitch fork, 3 tine.....	0 60	1 05	1 05
59	Oil lantern.....	0 70	1 25	1 25
60	Logging chain.....	1 50	2 65	2 65
63	Grindstone.....	5 00	9 25	8 95
64	Sheepskin coat.....	5 00	8 95	6 50
65	Cotton overalls.....	1 00	1 39	1 59
66	Smock.....	1 00	1 15	1 30
67	Wool socks, per doz.....	2 85	4 68	4 68
68	Cashmere socks, doz.....	3 00	6 00	5 70
69	Underwear, Wolsey.....	3 75	5 25	5 95
70	Gloves, unlined horsehide.....	1 35	0 95	1 10
71	Pullover mitts horsehide.....	1 00	0 85	0 85
72	Felt shoes.....	1 60	2 25	2 25
73	Hat.....	1 25	1 45	1 45
74	Sweater, worsted wool.....	5 00	5 00	4 95
75	Shirt, grey flannel.....	0 75	1 59	1 55
76	Shirt, cotton.....	1 00	1 00	1 00
77	Shirt, black sateen.....	0 75	1 35	1 45



# SEARLE FARMERS' INDEX

OF PRICE OF WHEAT - OF THINGS FARMERS BUY - OF TAXES - OF WHOLESALE COMMODITIES  
AND OF HOURLY WAGES OF INDUSTRIAL LABOUR.



# BEARLY

THE BEARLY COMPANY  
1000 BEARLY STREET  
BOSTON, MASS.



BEARLY COMPANY  
1000 BEARLY STREET  
BOSTON, MASS.

DESCRIPTION OF ARTICLES COMPRISING THE SEARLE INDEX OF THE  
"THINGS FARMERS BUY"—*Concluded*

No.	Description	1914	May, 1933	Feb., 1934
		\$ cts.	\$ cts.	\$ cts.
78	Rubber boots.....	3 75	3 25	2 98
79	Fleece lined, two-piece underwear.....	1 50	1 90	1 50
80	Wool mitts.....	0 23	0 48	0 42
81	2 buckle overshoes.....	2 00	2 19	2 29
82	Work shoes.....	2 50	2 95	3 45
83	Blankets, all wool, pair.....	6 00	7 50	7 50
84	Flannellette blankets, pair.....	1 25	1 75	1 95
85	Sheets, white cotton, pair.....	1 45	1 75	1 95
86	Pillow cases, pair.....	0 25	0 39	0 45
87	Turkish towels, per pair.....	0 20	0 35	0 39
88	Sewing thread, linen, 200 yds.....	0 09	0 27	0 27
89	Sewing cotton, per doz.....	0 45	0 82	0 82
90	Sewing machine.....	32 00	55 00	55 00
91	Women's cloth coats.....	20 00	25 00	25 00
92	Women's fur coats, muskrat.....	87 50	125 00	110 00
93	Children's cloth coats.....	8 50	10 95	10 95
94	Women's party frocks.....	15 00	7 95	6 95
95	Women's kid gloves.....	1 50	1 85	1 59
96	Women's gloves, woollen.....	0 35	0 50	0 47
97	Women's woollen underwear.....	3 50	2 70	2 06
98	Women's silk underwear, rayon.....		0 79	1 00
99	Women's sweaters, woollen.....	1 50	3 95	3 79
100	Women's house dresses, cotton.....	1 50	0 89	0 83
101	Women's shoes, patent leather.....	4 00	2 15	1 95
102	Women's cashmere stockings.....	0 50	0 59	0 65
103	Women's cotton stockings.....		0 33	0 35
104	Women's silk stockings.....		0 85	0 85
105	Axe (Diamond E).....	1 15	1 45	1 45
106	Buck saw.....	0 65	1 70	1 60
107	Children's shoes.....	1 35	1 19	1 29
108	Women's overshoes.....	1 85	2 00	2 00
109	Children's cashmere socks.....	0 25	0 35	0 32
110	Lunch pails with thermos.....	2 25	2 00	2 00
111	Scissors.....	0 35	0 89	0 89
112	Jack-knives.....	0 25	0 29	0 35
113	Tea, per pound.....	0 35	0 42	0 47-5
114	Coffee, per pound.....	0 37	0 40	0 39-6
115	Evaporated apples, per 100 lbs.....	12 00	14 94	14 90
116	Sugar, per 100 lbs., granulated.....	5 90	7 47	8 00
117	Beans, per 100 lbs.....	6 20	3 73	4 40
118	Flour, per 100 lbs.....	3 20	2 62	3 10
119	Prunes, per 100 lbs.....	11 90	11 00	12 50
120	Canned tomatoes, 2½'s, per 100 cans.....	11 80	11 31	11 70
121	Rollod oats, per 100 lbs.....	4 40	4 54	5 00
122	Rice, per 100 lbs.....	5 70	7 97	8 10
123	Raisins, per (15 oz. packet) 100.....	11 70	16 86	16 70
124	Jam, 4 lb. tins, per 100.....	64 70		60 50
125	Salt, per 100 lbs.....	2 60	2 92	3 00
126	Pepper, per 100 lbs.....	32 70	43 93	42 70
127	Vinegar, per pt.....	0 06	0 07	0 07-3
128	Corn, 2's, per 100 cans.....	10 40	11 41	11 70
129	Fence posts, each.....	0 03	0 03	0 03
130	Telephone.....	20 00	30 00	30 00
131	Walking plow.....	22 50	29 63	29 63
132	Gang plow.....	89 50	139 00	139 00
133	Seed drill, double D.....	143 50	239 00	239 00
134	Hay rake.....	35 50	57 75	57 75
135	8 ft. binder.....	194 00	264 00	264 00
136	Mower.....	59 75	96 50	96 50
137	Disc.....	45 50	71 75	71 75
138	Taxes, cents per acre.....	15 60	25 41	25 41
32 & 33	Wagon complete.....	100 50	168 00	168 00
139	Lumber, shiplap and boards, 1,000 ft.....	29 00	28 00	28 00
140	Kerosene, per gal.....	0 19½	0 21	21-5
141	Lamps (Standard-No. 2 burner).....	0 45	0 89	0 89
142	Kettle (nickle-plated copper No. 8 flat).....	1 45	2 00	2 15
143	Coffee pot (grey enamel, 2 coat), 4 pt.....	0 40	1 10	1 10
144	Teapot (nickle-plated copper).....	1 00	1 70	1 70
145	Saucepan (double boiler 5 4-5 pts.).....	0 80	1 45	1 45
146	Dishpan (tin).....	0 30	0 50	0 50
147	Frying pan (cast iron).....	0 60	0 85	0 55
148	Crockeryware (Ironstone) 67 pieces.....	6 30	10 21	10 21
149	Gasoline (less tax).....	25½ c. gal.		0 23



## MEMORANDUM

## RE DATA USED IN CONSTRUCTING THE SEARLE FARMERS' INDEX CHART

*Submitted by the Dominion Bureau of Statistics, April 25, 1934*

1. *Wheat*.—The line shown for wheat represents the street price. It indicates values at the country elevator, and therefore does not reflect changes in transportation costs, handling charges, etc., which appear in the usual exchange quotations made upon a Fort William and Port Arthur in storage basis. The crop year ending July 31 has been used for the purpose of calculating annual average wheat indexes shown on the Searle chart, although other lines with the exception of taxes, appear to be based upon calendar year averages.

2. *Bacon Hogs*.—This index is based on Winnipeg quotations. Before September, 1929, it probably represented thick smooth hogs, since the description bacon hogs was not used prior to that time. The change in descriptions will affect the index very little.

3. *Butcher Steers*.—Yearly averages of Winnipeg prices have been used to compute this index. Its movements differ for short intervals from Bureau of Statistics records, which in 1920, for example, show an increase for cattle both at Toronto and Winnipeg, while the Searle index drops about 10 points. In more recent years, this index moves in line with other similar price series.

4. *Handyweight Lambs*.—This index also appears to have been based upon Winnipeg yearly average prices and is representative of actual market movements.

*Wholesale Commodities*.—The Dominion Bureau of Statistics index number of wholesale prices converted to the base 1913-1914 = 100 has been used to represent wholesale prices. This series contains 236 items between 1913 and 1926, and subsequently includes 502 items. It is weighted upon the basis of total amounts of commodities exchanged in the base year, which at the present time is 1926.

*Things Farmers Buy*.—It is not possible to make definite statements concerning this index without knowing more about the weighting system employed. Weights (as far as we know unpublished to date) have been computed upon the basis of estimated western farm purchases in 1914, which is a reasonable procedure. It would probably result, however, in the underweighting of such items as gasoline, kerosene, power machinery, etc., in indexes for the past fifteen years. Such comparisons as it has been possible to make, point to the conclusion that several of the sub-group indexes in recent years have been moving on too high a level (foods, clothing, household equipment, and farm machinery). The index for taxes on the other hand, which is included in "Things Farmers Buy," has declined in 1930 and subsequent years by about 30 per cent, whereas other data available would indicate that the decrease did not begin until 1931 and that it has been considerably less than 30 per cent. An index of farm taxes in Ontario constructed by the Agricultural Economics Branch of the Dominion Department of Agriculture reached a high of 115.8 in 1930 and had dropped to 99.1 in 1932 (1926 = 100). This index is corroborated by returns made to the Dominion Bureau of Statistics by 392 farmers in all parts of Canada. An index based on these returns (1928 = 100) was high

at 103·8 in 1930 and in 1932 stood at 93·3. Even a further 10 per cent decline in 1933 as indicated by the Searle index would still leave the total decrease well under 30 per cent.

These apparent discrepancies would exert an offsetting influence in the final index of "Things Farmers Buy," which otherwise seems to represent a careful piece of work.

*Labour Wages.*—This index is the work of the Dominion Department of Labour, not of the Dominion Bureau of Statistics as stated in the evidence. It is computed from unweighted averages of rates in the following trades: Building, metals, printing, electric railways, steam railways and coal mining. Since it makes no allowance for short-time, overtime, sickness, lay offs, etc., it cannot be used correctly as a measure of labours' earnings. As the output per wage earner is now much greater than it was before the war, neither is it correct to use this index as indicative of changes in the manufacturers' labour cost per unit of production. (Between 1917 and 1930 the physical output per wage earner increased 44·5 per cent—Canada Year Book, 1933—page 451.) We believe this index provides a good measurement of wage rates as such, but not of earnings or changes in manufacturers' labour costs.

## MEMORANDUM ON RAILWAY WAGES

*Submitted by the Dominion Bureau of Statistics April 25, 1934*

Department of Labour report No. 17 deals with rates of wages and not actual wages received; the element of hours worked per day, per week or per year is not included. Railway rates of labour were increased considerably during 1918, 1919 and 1920 and declined in 1921 and 1922, rising again in 1927-29 and falling in 1931-33. On page 72 of this report the average hourly and annual wages for different classes of railway employees are also shown. These averages are computed by dividing the total wages paid by the average monthly number of employees. The employees are counted each month and the sums of the 12 counts are divided by 12. Thus 18 men working 2 months and earning \$200 each would give 3 men working a year at \$1,200 per year. The same average of \$1,200 per year would be computed for 9 men working 4 months and earning \$400 each, or 4 men working 9 months earning \$900 each, or 6 men working 6 months, etc. In other words these averages are per position and not per individual.

The error in considering these averages as actual wages earned per man is indicated by a comparison of 1930 averages and the wages reported by individuals in the 1931 census. A comparison without corrections for the difference in periods covered indicates that the average wages reported by railway conductors and engineers were between 70 and 80 per cent of the annual average wage per position.

Gross earnings of Canadian railways in 1913 amounted to \$243 million and in 1932 to \$293 million. Total wages in 1914 amounted to \$112 million, in 1932 to \$174 million (wages of outside operations, on capital account, etc. not in 1914 are deducted in 1932 from total data) and the number of employees in 1914 was 159,142 and in 1932, 126,786 (1932 data are adjusted as in wages). Thus the average wage per position per year increased from \$702 in 1914 to \$1,369 in 1932, or by 95 per cent. It is not possible to compute the reduction in this due to the difference in short time worked, but it is known that the short time in 1932 was considerably greater than in 1914. If the ratio of 70 to 80 per cent be used, and possibly in 1932 it was even lower, the actual increase in average annual wages for all classes of railway employees would be from 37 per cent to 55 per cent. The ratios of operating pay roll to gross operating revenues were as follows:—

	Per cent
1914.. . . . .	46
1919.. . . . .	55
1925.. . . . .	52
1929.. . . . .	49
1932.. . . . .	56



HOUSE OF COMMONS, ROOM 368,

April 19, 1934.

The special committee appointed to inquire into price spreads and mass buying met at 11 o'clock a.m., Hon. H. H. Stevens presiding.

Mr. Norman Sommerville, K.C., of Toronto, and Mr. W. W. Perry, K.C., of Toronto, appeared as counsel for the committee.

The CHAIRMAN: Order, gentlemen. The minutes this morning simply refer to what took place in the committee, the witnesses we heard and the filing of certain charts which were included in the evidence of last meeting. I declare the minutes approved. The witness this morning is Mr. Alexander MacKenzie, of Toronto.

ALEXANDER MACKENZIE, called and sworn.

*By Mr. Sommerville:*

Q. Mr. MacKenzie, you are a wholesale butcher?—A. Yes, sir.

Q. Operating at Toronto?—A. Yes, sir.

Q. And you do your killing at the Toronto Civic Abattoir?—A. Yes, sir.

Q. And how long have you been engaged in that business as an independent?—A. Since the first of June last year.

Q. Since the first of June last year?—A. Yes.

Q. Prior to that time whom were you with?—A. Canada Packers.

Q. And how long had you been with Canada Packers?—A. Five years.

Q. From the date of the merger?—A. I could not exactly give you the date.

Q. Were you there at the time of the merger?—A. Yes, sir.

Q. And you had been with them until the 1st of May last?—A. The 1st of June last.

Mr. FACTOR: Were you with them before the merger?

Mr. SOMMERVILLE: I am going to carry that further.

*By Mr. Sommerville:*

Q. Prior to the merger, whom were you with?—A. Gunn's Limited.

Q. How long were you with Gunn's Limited?—A. Twenty-two years.

Q. So that you had been twenty-two years in Gunn's and then some five or six years with the merger, since the date of the merger?—A. Yes, sir.

Q. And what was your position in Gunn's Limited at the time of the merger?—A. Manager of the beef department.

Q. In that department did you have charge of the buying of beef or cattle for Gunn's Limited?—A. Yes, sir.

Q. And had for a large number of years?—A. Yes.

Q. And in that capacity did you have the buyers under your direction?—A. Yes, sir.

Q. That is to say, in each packing plant the head of the beef department has charge of the buyers for that department?—A. Yes, sir.

Q. And he gives directions as to the quantities to be purchased, and his requirements?—A. Yes, sir.

Q. And does he settle on the prices that are to be paid?—A. As a rule, yes.

Q. That is he gives instructions to the buyers?—A. Yes.

Q. So it is from the head of the beef department that the beef buyers would get instructions?—A. Yes, sir.

Q. And I suppose from the head of the hog department the hog buyers would get their instructions?—A. Absolutely.

Q. And when you were in charge of the beef department in Gunn's, were you also in charge after the merger; did you remain in charge at Gunn's after the merger while Gunn's was operated as a separate unit?—A. Yes, sir.

Q. And how long after it was operated as a separate unit did you continue to be in charge of the plant, as a unit—would it be a year or two, after the merger?—A. After the merger? About two or three years.

Q. And then what position did you take in Canada Packers?—A. I was manager over the live stock buying.

Q. With the merger?—A. Yes, sir.

Q. And you continued in that position for some years?—A. Yes, sir.

Q. And in that position you had charge of the buyers of cattle who were under you?—A. Yes, sir.

Q. Did you have any control or direction over the hog buyers?—A. No, sir; none whatever.

Q. You were limited to beef and sheep?—A. And lambs and calves.

Q. How many buyers would you have under you in the merger?—A. Over the system or in Toronto?

Q. In Toronto?—A. About eight, more or less; I do not remember offhand.

Q. And when you are referring to the system, how many would you have in the system?—A. Oh, it is hard for me to give you that correctly, sir; they are spread all over the Dominion.

Q. But they all report to headquarters—the various departments of Canada Packers throughout Canada would report to headquarters their daily purchases, would they?—A. Pretty well, yes.

*By Mr. Senn:*

Q. Did the buyers buy cattle alone? Get my question clearly: did the same buyer buy cattle and sheep?—A. No, sir.

Q. There was one buyer for cattle and one buyer for sheep?—A. Yes.

*By Mr. Sommerville:*

Q. Let me understand this matter. There are certain buyers who definitely buy cattle and cattle alone?—A. Yes.

Q. And there are certain buyers that buy sheep and sheep alone?—A. Yes, sir.

Q. And there are certain buyers that buy hogs alone?—A. Yes, sir.

Q. And there are certain buyers who buy calves alone?—A. No, the same buyers buy sheep, lambs and calves.

Q. So that these are now in fairly separate departments as far as buying is concerned?—A. Yes, sir.

Q. You were in charge of all except the hogs?—A. Yes.

Q. You operated then on the Toronto market—or rather the men under you operated on the Toronto market?—A. Yes.

Q. Which is, I understand, across the road from the plant of Canada Packers?—A. Yes, sir.

Q. Canada Packers are on the north side of St. Clair avenue opposite the Union Stock Yards?—A. Yes, sir.

Q. And I understand there are two plants there—Gunn's plant which was an independent plant prior to the merger?—A. Yes, sir.

Q. And the Harris plant was an independent plant prior to the merger?—  
A. Yes, sir.

Q. And were those the only two plants that had formed part of the merger now that were located on St. Clair avenue?—A. Yes, sir.

Q. Those two. Then, Mr. MacKenzie, how did you arrive at the price to be paid for cattle at the Toronto stockyards? What was your procedure? How did you arrive at the price?—A. It all depended on what we had on hand by that day before we went on the market on Monday morning.

Q. And before going on the market on Monday morning did you have a meeting at your plant?—A. Always.

Q. To consider the price to be paid that day?—A. Pretty well, sir.

Q. And that meeting would consider the price to be paid that day, and the quantity to be purchased?—A. Yes.

Q. And would take into consideration all your requirements?—A. Yes, sir.

Q. Who would be present at that meeting?—A. The head buyer, the head of the beef department, the head of the small stock department and the head of the small stock buying department.

Q. And yourself?—A. And myself.

Q. And at that time would you settle on a price to be paid for various classes of stock to be bought?—A. Pretty well, yes.

Q. And then, following that meeting, did you ever have any communication with any other packer before you went on the market?—A. Yes, sir.

Q. What communication did you have?—A. Talked things over in general and decided on a policy sometimes.

Q. Yes, you talked things over in general and decided on a policy, with whom?—A. Swift Canadian Company.

Q. And did you discuss prices to be paid that day at that time?—A. Sometimes we did, sometimes we did not. We talked about the trend of the market, if the trend of the market should fall.

Q. These meetings took place after the merger?—A. Yes.

Q. Had you any such meetings prior to the merger?—A. Never.

Q. Was there any communication by your company with Swift's prior to the merger?—A. Never.

The CHAIRMAN: You are referring to Gunn's?

WITNESS: Yes.

Mr. SOMMERVILLE: That is when you were in charge of the beef department at Gunn's?

WITNESS: Yes.

The CHAIRMAN: There was never any conference then?

WITNESS: Never.

Mr. FACTOR: Was there any conference with Harris or anybody else?

WITNESS: No, sir; no, it was good open competition then.

*By Mr. Sommerville:*

Q. Then you say that at those discussions that took place when you got in touch with Swift's you would discuss the trend of the market; and would you settle on the price, or intimate to them the prices you were going to pay that day?—A. Not always; on some classes of cattle, yes.

Q. And would you have any agreement with them as to the price that was to be paid by both of you when going on the market?—A. Not always; sometimes we would.

Q. And would you discuss with them the proportion of cattle that were to be bought by each of you each day—the percentage of cattle?—A. That was pretty well understood as to what percentage each house killed, Mr. Sommerville.



Q. It was pretty well understood what proportion each house would kill?  
—A. Yes, sir.

Q. What were the proportions that were killed?—A. That used to figure about 68 per cent and 32 per cent.

Q. 68 per cent for Canada Packers?—A. Yes.

Q. And about 32 per cent for Swift's?—A. Yes.

Mr. FACTOR: Are Canada Packers and Swift's the only packing plants you take into consideration in that figure?

The WITNESS: They were at that time, yes. That is large packers, I mean.

Mr. SOMMERVILLE: As between the two of them, at any rate, that was the proportion of your respective kills?

The CHAIRMAN: Mr. Factor's question was a proper one, but not quite clear. I think you had better make your question clear.

*By Mr. Factor:*

Q. There are other packing plants besides Swift's and Canada Packers, are there not?—A. Not in Toronto, there isn't. There is now. There was not then.

Q. What time are you speaking of when you fixed the proportion at 68 per cent and 32 per cent?—A. We did not fix it at all, but that was considered—it was not fixed, no, but that was considered the basis of buying for each plant.

Q. What year are you speaking of now?—A. What year?

Q. Yes?—A. I am speaking of 1931 and 1932.

Q. And during those two years, you say, in Toronto there were only two packers—Canada Packers, the merger, and the Swift Canadian?—A. Yes, the packers, yes; that is in the beef business.

Q. Were there no other packers in the beef business?—A. There were some small operators, municipal abattoirs.

*By Mr. Senn:*

Q. Independent packers?—A. Yes, independent packers. They were not straight packers. They were just small wholesalers.

*By Mr. Factor:*

Q. When you speak of 68 per cent and 32 per cent between the Canada Packers and Swift's, you mean of the total number killed by the two?—A. Yes.

Q. There was a certain volume killed by the independent small ones?—A. Yes.

Mr. SENN: Mr. Sommerville, would you call attention to that, and ask if the proportion of grades bought by the different packers were considered?

Mr. SOMMERVILLE: Yes.

*By Mr. Sommerville:*

Q. Will you tell us, Mr. MacKenzie, if the question of the grades bought by the different packers was considered?—A. No.

Q. That was left to the independent buyers?—A. Yes.

*By Mr. Young:*

Q. One company is going to take 68 per cent and the other 32 per cent of the market?—A. No.

Q. Have you any understanding that you will take those proportions?

The CHAIRMAN: Of the market?

*By Mr. Young:*

Q. No, what they purchased?—A. No.

Q. You have no understanding?

The CHAIRMAN: You have got the witness mixed up.

Mr. SOMMERVILLE: Let me explain this.

*By Mr. Sommerville:*

Q. Mr. MacKenzie, what you say is that the relative position between Canada Packers on the one hand, and Swift's on the other, was that Canada Packers' kill represented 68 per cent and Swifts' represented 32 per cent?—A. Yes.

Q. The two, between them, made up 100 per cent of the kill?—A. Yes.

Q. Of the two?—A. Yes, of the two.

Q. And between the two, that was the proportion in which they had been buying?—A. Yes.

Mr. YOUNG: There was no understanding that that proportion must be maintained.

*By Mr. Sommerville:*

Q. That represented the numbers, did it, of cattle killed?—A. Yes.

Q. It didn't necessarily represent the value?—A. No.

Q. Was this proportion watched, as between Canada Packers and Swift's, to see that each was living within or keeping within its proportions?—A. Naturally.

*By Mr. Young:*

Q. You said a moment ago that there was no understanding that that was to be maintained—that there was no understanding about that?—A. Well, I didn't. You didn't get me right. I didn't say that.

Q. What I want to know is this: was there an understanding between Canada Packers and Swifts that Canada Packers would take 68 per cent to Swifts' 32 per cent?—A. There was no understanding, but it was quite understood through the killings that that was their actual killings from time to time. They always wanted to maintain their volume, their percentage.

*By Mr. Sommerville:*

Q. Each of them wanted to maintain their own volume?—A. Yes.

Q. Each watched the purchases from hour to hour, to see how you were maintaining your volume?—A. Yes.

Q. How was that done? How were you made acquainted with that?—A. We had what we considered a runner there, getting the number of cattle weighed at certain hours, for each house.

Q. For each house?—A. Yes.

Q. That is, you had a runner at the weigh scales?—A. Yes.

Q. And as the cattle went over the weigh scales, he kept track of them?—A. Yes.

Q. And he reported to you, every hour or so, the purchases made by Swifts and the purchases made by your own plant?—A. The purchases made by everybody in the market, pretty well.

Q. And the prices at which they were purchased?—A. No.

Q. He didn't report that to you at that time?—A. No.

Q. Was that with a view to maintaining your volume on the market?—A. Yes, pretty well.

Q. And if you were getting more than say 68 per cent, as a result of the report after the end of an hour's operations, what then would you do?—A. We would naturally lay back and give them a chance.

Q. You would lie back and let the other fellow get a chance to get his percentage?—A. Yes.

Q. And if he was getting more than his percentage, what would he do? Well, there was only one thing to do, that is for the other fellow to go out and bring his up, and you lay back for a while.

*By Mr. Young:*

Q. Had your prospective sales nothing to do with your purchases? Didn't you consider what meat you could sell when you were buying?—A. That was all arranged before the cattle buyer went on the market, if you have any understanding of live stock buying.

Q. Well, I have not. Explain that, please?

Mr. SOMMERVILLE: I will clear that up, Mr. Young.

*By Mr. Sommerville:*

Q. Before ever you went on the market, you set out what your purchases would amount to, what your total purchases would amount to in your plant?—A. For the day and for the week, yes.

Q. And in arriving at that amount, you took into consideration what your prospective sales were?—A. Absolutely.

Q. And that was a fundamental factor with you?—A. Yes.

Q. And then having settled on that, you say you then went on the market and bought whatever quantity you required?—A. Yes.

Q. And bought in the proportion of 68 per cent of yours to 32 per cent of Swifts?—A. As nearly as possible.

*By Mr. Factor:*

Q. Did you ever discuss with Swifts your requirements; I mean, in regard to your selling capacity?—A. No.

Mr. SOMMERVILLE: That was a recognized figure on the market, and had been for some years.

*By Mr. Senn:*

Q. Just one other question there, Mr. Sommerville; was that same procedure followed whether there was a surplus of cattle on the market or a shortage?—A. Pretty well, yes, sir.

*By Mr. Sommerville:*

Q. In addition to discussing the prices with Swifts before you went on the market, did you discuss with Swifts the percentage of cattle that would be bought to-day and the percentage that would be bought to-morrow, at any time?—A. No, sir.

Q. You didn't arrive at the amount that would be bought each day?—A. No, sir.

Q. You just arrived at the prices that you were going to pay on the market?—A. Not quite concrete, Mr. Sommerville; not quite concrete prices to be paid, but as near that point as possible.

Q. As near what?—A. As near what the market demanded or what the trade would demand, what the outlet would demand, would stand for.

Q. Then before you instructed your buyers to go on the market, you had some kind of understanding with Swifts as to general prices that would prevail.



Q. On the market that day?—A. Yes.

Q. And you would instruct your buyer to keep as close to that price as possible?—A. Yes.

Q. How often were those meetings held that you have referred to? How often each week would they be held, the meetings inside your plant?—A. Every market day.

Q. Every market day?—A. Every market morning.

Q. How often would you communicate with Swifts? Or shall I put it this way: Did you communicate with Swifts after practically all of these meetings?—A. Pretty much, sir.

Q. Was it a generally accepted practice in the merger while you were there?—A. Yes.

Mr. ILSLEY: Whom did he communicate with?

*By Mr. Sommerville:*

Q. How was the information or the decision that you had arrived at in these meetings indicated to Swifts?—A. By telephone.

Q. By telephone?—A. Yes.

Q. To what official in Swifts would it be communicated?—A. Their head buyer.

Q. Their head buyer—A. Yes.

Q. And would you get from Swifts their intimation as to their views on the market?—A. Pretty well, yes, sir.

Q. And their understanding as to the price to be paid?—A. Yes.

*By Mr. Factor:*

Q. Was the process ever reversed? Did Swifts ever communicate with you?—A. Not as a rule.

Q. As a rule you would initiate the procedure?—A. Take the initiative.

Q. And communicate with Swifts?—A. Yes.

Mr. ILSLEY: Is there any significance to be attached to that? Does it make any difference who makes the approaches?

Mr. SOMMERVILLE: I don't suppose it does.

*By Mr. Ilsley:*

Q. They were a heavy buyer. Does that mean they were fixing the price and Swifts were following?—A. I can't answer that.

*By Mr. Sommerville:*

Q. I beg your pardon?—A. I would not like to answer that question.

*By Mr. Ilsley:*

Q. You said you did the calling up?—A. Yes, we did.

Q. Would it amount to this, that you called up Swifts and said, "Now, Swifts, what we are going to pay to-day is so much," and were able to give them orders? Is that what it amounted to, that Canada Packers were fixing the price and telling Swifts what to pay?—A. I don't know that anybody could tell the Swift Canadian Company what to do. We talked the matter over pretty well.

Q. Was there an understanding that Swifts were to follow Canada Packers in the price that Canada Packers fixed?—A. Not always.

Q. Was it the understanding as to the general course to be pursued, that Canada Packers by this conference in the morning would fix the price, and then notify Swifts by telephone message, and Swifts would govern themselves accordingly in their bidding on the market? Was that the understanding?—A. Pretty well, unless there was any cross buying going on.

*By Mr. Sommerville:*

Q. You say, "Unless there was any cross buying going on"?—A. Yes.

Q. What do you mean by cross buying?—A. Well, one trying to gyp the other a little bit on certain grades of cattle.

Q. At times that did happen?—A. Yes.

Q. Even among the best of friends?—A. Yes.

Mr. FACTOR: In spite of the little love feast.

*By Mr. Sommerville:*

Q. Then that would be smoothed out, I suppose?—A. Yes.

*By Mr. Senn:*

Q. In general practice, I suppose they did follow the procedure you have outlined?—A. Pretty well, yes.

*By Mr. Sommerville:*

Q. As a general rule, is it a fact that the price which was communicated by Canada Packers to Swifts was followed on the market by the buyers of both companies?—A. I would like to say, Mr. Sommerville, that the prices were not altogether fixed, as regards what they were going to pay. It is just how they would operate—without fixing any prices as to the amount of cattle—as to how they would act on certain grades of cattle. Not altogether prices agreed on, but that they would not raise or lower the market against the previous week.

Q. They would not raise or lower it?—A. No.

Q. Would there be an understanding that the market would be lowered a bit?—A. Sometimes, yes, sir.

Q. And at other times that the market would be raised a bit?—A. Of necessity, yes.

*By Mr. Young:*

Q. Could you recite a conversation that took place when that was done, a typical conversation between you and the Swift's man? What would you say? Would you ask the Swift's man what he would do?

The CHAIRMAN: The language might not be parliamentary.

Mr. EDWARDS: We had better not ask that.

The WITNESS: Is it necessary?

Mr. YOUNG: Yes, we want to know that.

The WITNESS: I don't care to—I would not care to do that.

Mr. EDWARDS: No, I should say not.

*By Mr. Factor:*

Q. Who would be talking, you and the head buyer or the head buyer and the head buyer of Swifts?—A. Our head buyer and Swifts buyer.

Q. You head buyer and the head buyer of Swifts would be talking, would carry on the conversation?—A. Yes.

Q. Can you tell me this: what is the total volume of beef cattle purchased by Swifts and Canada Packers on the Toronto market?

Mr. SOMMERVILLE: We had those exact figures given to us. It is in the evidence.

The WITNESS: I just can't tell you off-hand very well. I used to have it.

Mr. YOUNG: Would the witness mind telling us why he does not want to repeat a conversation, a typical conversation?

The CHAIRMAN: Well, I think the witness has given us the facts, the essential facts, but you want him to sort of reproduce or re-enact it.

Mr. YOUNG: Yes, give us a picture.

The CHAIRMAN: I can understand a rugged cattleman having some diffidence about it.

Mr. YOUNG: We will let him leave the cuss words out.

Mr. EDWARDS: As I understand it, this was not Mr. MacKenzie's conversation. It is the two chief buyers.

The CHAIRMAN: He was one.

*By Mr. Sommerville:*

Q. You would be present when the conversation took place?—A. Yes.

*By Mr. Young:*

Q. You were one of the conversationalists?—A. Yes.

Mr. KENNEDY (*Peace River*): I notice Mr. MacKenzie shaking his head in answer. I don't know whether that is going down or not.

Mr. SOMMERVILLE: I think the stenographer is getting it. However, if you will just say "yes," or "no," it will be better.

The WITNESS: I am a pretty good talker. I can say "yes."

*By the Chairman:*

Q. Well, Mr. MacKenzie, the long and short of it is this, that after you and your officials talked over the situation, then a Canada Packers man—yourself or one of them—would ring up Swifts and discuss the situation as you understood it, and intimate one to the other the general policy to be adopted in buying on the Toronto market?—A. Yes.

*By Mr. Factor:*

Q. Whether you would raise or lower the prices?—A. Yes.

*By the Chairman:*

Q. You would have what we might call an informal understanding that a certain price would prevail?—A. Yes.

Q. As far as possible?—A. Yes.

Q. Without having any specific agreement on the subject?—A. That is right, sir.

Mr. FACTOR: A gentleman's understanding.

*By Mr. Senn:*

Q. You said that your requirements were considered in setting the price or in determining the price. Did you also take into account whether there was likely to be a surplus or a shortage of cattle on the market that day, in determining the price?—A. Yes.

Q. And if there was a surplus, the price would necessarily be lower?—A. Naturally, yes.

Q. If there was a shortage, what about that?—A. The natural thing, it would be higher.

Q. But I think you said that the proportion was maintained between the packing houses in case of both surplus and shortage. If you maintained your proportion in case of a shortage, was it necessary to raise the price? That is,



if you got your proportion of what was on the market, 68 per cent to 32 per cent, would that not have the effect of keeping the price at a level, instead of raising it?—A. No, not always.

Q. Would it not have that influence, to a certain extent?—A. No.

*By Mr. Sommerville:*

Q. If this practice had not prevailed, and there had been open and free competition between the two companies on the public market in Toronto, what would you say would have been the advantage to the producer per hundred on his live stock, that is cattle? How much more would he have gotten?—A. It is hard to estimate, Mr. Sommerville; it might be a half a dollar, it might be a dollar a hundred.

Q. But was the general effect of this conversation to keep the market down? Was the general effect of these conversations that you have had to keep the market fifty cents to a dollar a hundred less?—A. Not always.

Q. Not always?—A. It would depend on the supply.

Q. But is that the general effect, I am asking?—A. Yes.

Mr. SENN: In other words, did it limit competition or eliminate competition in buying?

*By Mr. Sommerville:*

Q. It could not have any other effect, could it, Mr. MacKenzie?—A. No.

*By Mr. Ilsley:*

Q. Mr. Senn asked a question there that interests me. If you were going to get your share anyway, why would you have to pay higher on a bare market, a market that didn't have any cattle on it? Why would you have to pay a higher price if you were going to get your share of the cattle anyway?—A. I did not say we would get our share anyway on a short market.

Q. But as between you and Swifts, you were going to get twice as many cattle as Swifts because Swifts were going to retire and let you have them?—A. No, I would not say we were going to get our percentage that we always should have on a short market, we would either have to go outside to get that percentage, or raise the market too high.

Q. What is the arrangement being followed then? I hope you will bear with me, I do not understand this business very well. I understood that your arrangement was, whether there was a large number or a small number of cattle offering, that the arrangements between you and Swifts was that you were to get about two to Swift's one, and that that proportion would be maintained. If you were going to get two to Swift's one anyway, why would you need to have more on a short market?—A. There was outside competition that would take more of these cattle away by these other buyers.

Q. I would like to hear a little about that, is that a very effective factor in the situation?—A. On a short market, yes.

*By Mr. Sommerville:*

Q. If there is an outside market; that is, if an exporter came in to buy cattle for export, that would affect the situation?—A. Absolutely.

*By the Chairman:*

Q. Or, if there was no understanding whatever between the buyers of the big companies and there was a short market, then the two big buyers would go on the market and raise the price to get what they required working against each other?—A. Yes, sir.

Q. And that is now largely eliminated?—A. Yes, sir.

*By Mr. Senn:*

Q. But Mr. McKenzie made the distinct statement that that proportion was maintained both in the case of surpluses and shortages?—A. Percentage of kill, I meant, no matter where they got the cattle from.

Q. Not the percentage bought on the market?—A. No. We did not rely on the market for all our purchases.

*By Mr. Sommerville:*

Q. From where did you get your other requirements to maintain your proportion of the kill?—A. Off trucks.

Q. Was direct shipment to plants by trucks encouraged?—A. Pretty well, yes.

Q. What would you have by way of volume of direct shipment in the course of a year, speaking of cattle; about how many a week?—A. My last recollection was about 900 a week, or 33 per cent of the cattle—I would not say that is actual, but it is approximate.

Q. Thirty to thirty-three per cent of the cattle you think came by truck?—A. Not by truck alone, by direct shipment.

Q. And then what was the effect on your buying on the stockyards of having this supply of 30 to 33 per cent of your kill coming direct; what effect did it have upon you as a buyer, did that make you a keen or a slow buyer?—A. That all depends on how many cattle I had in over the week-end to start with on Monday morning.

Q. If you had a quantity of cattle to start with on Monday morning, we will say 33 per cent of your kill?—A. You would not have that on Monday morning to start off with, that would be for the week days.

Q. I quite appreciate that, but supposing you had that number of cattle in on Monday morning; would that have the effect of keeping you off the market for a time?—A. Naturally it would make us a little careless.

Q. And what would the effect of that be on the market, would it make it a little draggy?—A. Naturally, yes.

Q. And the prices would be depressed somewhat?—A. Yes.

Q. And then perhaps in the afternoon you would become a little more careful of the market; and step on the market and buy some supplies?—A. Yes.

Q. Was that about the procedure, when you had a quantity of cattle in over on a Monday morning?—A. Yes.

*By the Chairman:*

Q. Might I interject just there: last night I read the live stock report, as I read it every night—here is one which may be taken as typical. I will read it and ask you to give us an explanation of the factors that are operating in this situation. This is, Toronto, April 18: the cattle division of the Toronto Live Stock Market continued at the opening today where it left off at yesterday's close, with trading very slow and prices unchanged, with a supply of 1,220 head—800 hold-overs; buyers took a few butcher cows at \$2.50 to \$4.25, but these were the only sales registered. This refers to cattle on the Toronto market yesterday, and one often sees that; and particularly on a Monday will you see this. This happens to be Wednesday, but particularly on Monday or Tuesday will you see this sort of report. What I want to ask you is this: here are 800 hold-overs, and buyers take a few butcher cows at these low prices; that was the only sale, and trading was very slow. Can you give us your explanation as to that condition of the market?—A. At the time that report goes in, Mr. Stevens, they don't get the proper trend of the market, I don't think. These reports have to go in early in order to get into the night's paper. That

is one thing about it, it does not treat the market squarely—it is not fair to the packer nor is it fair to the producer, because it does not give the right picture.

Q. I see?—A. After eleven o'clock trading on a very short market is as a rule snappy—you understand what I mean by snappy, there is a snap to trade, everybody wants to secure cattle—but if there are quite a few cattle there and receipts are coming in very heavy, it is the natural thing for the buyer to lay back and see what comes in before he starts operating. Now, I don't think that picture of that live stock market is right, it is not sound, because they can't get the right picture at that time in the morning.

*By Mr. Sommerville:*

Q. But if you have that quantity of cattle coming in direct, would these direct shipments have the tendency to create the market conditions which Mr. Stevens has read from the paper?—A. Naturally, yes.

Q. In view of your experience as a buyer for the packing plants I am going to ask you this question: In the interests of the producer do you think that he gets as good a price on the market by reason of the direct shipments of cattle to plants?—A. I do not, sir.

*By Mr. Factor:*

Q. But there is only 30 per cent which goes direct to plants?—A. That is only the one plant, sir—30 per cent of our kill.

Q. 30 per cent of your kill; and that is enough to affect the price on the market, is it not?—A. A certain percentage goes to Swifts' plant.

*By Mr. Young:*

Q. Thirty per cent of their cattle?—A. I did not say 30 per cent of their cattle, I do not know.

Q. But would 30 per cent of the stock coming in go to the two plants?—A. I said there was about 30 per cent of Canada Packers kill came in direct; that was my answer.

MR. FACTOR: 30 per cent of Canada Packers kill was bought on the stock-yards.

MR. ILSLEY: Before you leave this matter—

MR. SENN: I do not know, Mr. Sommerville, whether you intend to question the witness at all as to how the price is determined on that 30 per cent.

MR. SOMMERVILLE: I am going to ask him that.

*By Mr. Ilsley:*

Q. If you don't mind, I will ask my question now. This system of daily conferences between Canada Packers and Swifts began immediately after the merger of the various companies to make up Canada Packers, did it?—A. Pretty well, yes, sir.

Q. That was in 1927?—A. Wait a minute, don't misunderstand this; they were not merged into Canada Packers in 1927, that is when the merger between Gunns and Harris's took place—Feb. 28, 1927. Up till a few years ago the plants were operating separately, as separate units.

Q. When did this system of daily conferences between Canada Packers and Swifts by telephone begin?—A. After we were merged as Canada Packers.

Q. What date was that?—A. I can't give you the date.

*By the Chairman:*

Q 1928, was it not?—A. August 10, I think.



*By Mr. Sommerville:*

Q. Let us get this cleared up: at the first, when Canada Packers acquired Gunns, Gunns still continued as a separate unit for a period of time?—A. Yes, sir.

Q. Then they acquired Harris's, and that continued as a separate unit for a while; is that the fact?—A. I just don't understand you, as they acquired Harris's, what do you mean by that?

Q. Did they have Harris's?—A. It was the Harris Abattoir that acquired Gunn's business.

Q. It was the Harris Abattoir that acquired the Gunn business?—A. Yes.

Q. And Canada Packers were in control of Harris Abattoir.

The CHAIRMAN: They became the Harris Abattoir.

The WITNESS: They became Canada Packers when the four packing houses were united as one—William Davies and one other called the C.P.C.

Mr. FACTOR: That was in August of 1927, according to the evidence.

Mr. SOMMERVILLE: Legally, they acquired the control.

The CHAIRMAN: MacLean shows that in his evidence; he is asked "these four companies are merged? When? In August of 1927." So we can take that.

The WITNESS: That is right, August 10, I think.

Mr. ILSLEY: Was it continuous?

*By Mr. Sommerville:*

Q. This series of conferences with Swifts, to which you have referred, began some short time after the merger?—A. After all the plants were merged into one.

*By Mr. Factor:*

Q. There is a misunderstanding on that. They were legally merged in 1927, but they continued, as I understand it, to operate separate independent plants for a long time; Davies operated an independent plant until 1932—that is right, isn't it?—A. I could not say.

Q. But they continued to operate as separate units?—A. Yes.

*By Mr. Sommerville:*

Q. But when Harris's and Gunns were taken into the big merger, all the plants were operated as one?—A. From one head.

Q. From one head, that is when these meetings took place?—A. Yes, sir.

Q. And they continued for some years, up till the time you left in June of 1933?—A. Yes.

Mr. ILSLEY: If Mr. Factor is right about these plants being separate up until 1932, or one of them even being separate, these may not have begun until 1932.

*By Mr. Sommerville:*

Q. Let me understand: the Davies Plant and the Harris Plant—do you remember roughly the year in which these plants were merged and operated under one head; do you recall that?—A. I just can't at the present moment.

Q. Was that several years before you left, in June, 1933?—A. It was some years, I would not say several; it was some years, I just can't remember.

Q. Well then, let me understand it then from this angle, when the Canada Packers acquired the various plants each of them operated independently for a time?—A. Yes.

Q. Gunns operated, Harris's operated, and Davies operated?—A. Yes, sir.

Q. And the Canadian Packing Company, did it operate?—A. Not very long after the purchase of that plant. It was closed down and moved down to the William Davies Company—that business.

Q. And that plant was taken over by the city of Toronto, for the extension of Bathurst street, as I recall it?—A. Yes.

Q. And the Davies plant subsequently closed and everything moved up to the St. Clair Avenue plant?—A. Yes.

Q. And they were all put under the one direct head?—A. Yes, sir.

*By Mr. Young:*

Q. And that was the time you started to buy for them all?—A. Yes, sir.

Q. Until then they had separate buyers?—A. Yes, sir, don't misunderstand me, they were all directed from head office—from one head.

*By Mr. Ilsley:*

Q. What I understand then was when this system of daily conferences started—that is a very important thing, and one which I think we should get clear?

*By the Chairman:*

Q. Let us try to get somewhere. Do you recall whether it was in practice in 1930, during the year 1930?—A. It was about the end of 1930.

*By Mr. Sommerville:*

Q. It was about the end of 1930 when this began?—A. Yes, that is as near as I can remember.

*By Mr. Ilsley:*

Q. It is still going on as far as you know.

The CHAIRMAN: Up until June of 1933, when you left, it was going on?—A. Yes, sir.

*By Mr. Sommerville:*

Q. Now then, you have this buying practice, and you have described to us what happened; you were also in charge of the beef department—you were in charge of the sales of beef, were you not?—A. Yes, sir.

Q. I want to ask you about some of the selling practices. Did you have different prices in selling your beef for different buyers?—A. It all depended on what the volume of buying they did was; that is, it all depended on who was doing the buying—whether it was a large organization or a small one.

Q. Now, take a large organization; you sold a considerable quantity to chain stores, did you not?—A. Yes, sir.

Q. And they bought in large volume?—A. Yes.

Q. And what advantage did the chain stores get over the independent retailer—what would it amount to?—A. You mean, how much cheaper he bought his requirements?

Q. Yes, how much cheaper he bought?—A. As far as my memory brings me back, sir, around 85 cents to \$1 a hundred.

Q. On the same grade of beef?—A. Yes, sir.

*By the Chairman:*

Q. That is, the chain store got a preference over the ordinary retailer of from 85 cents to \$1 a hundred?—A. Yes, sir.

Mr. FACTOR: Because they bought more.

*By Mr. Sommerville:*

Q. They bought large quantities. That would mean about 200 carcasses, approximately \$1,000 would it not?—A. Yes, sir, figuring it at 500 pounds.

Q. I suppose the chain stores would buy as much as from 100 to 200 carcasses from time to time?—A. Oh, yes.

*By Mr. Young:*

Q. Eighty-five cents a hundred pounds on beef would be 2 cents a pound on live cattle, approximately, wouldn't it?—A. Two cents a pound on live cattle—oh, no.

Mr. SOMMERVILLE: A thousand pound beef animal would dress out about five hundred pounds of beef.

The CHAIRMAN: Eighty-five cents would be a little less; a dollar would be half a cent less on the hoof.

Mr. SENN: Would you mind asking the witness as to the quality of beef purchased by these larger concerns in comparison with that purchased by the smaller dealers?

The CHAIRMAN: That is canners and cutters, we had better get that later.

*By Mr. Factor:*

Q. Just one question: were there any other advantages given to the large buyers in addition to the reduction in price because of the volume purchased?—A. I do not think so, I think that was enough, wasn't it?

Q. Are there any amounts paid for advertising?—A. I could not say, that did not come under my jurisdiction.

Q. That would not be under your department?—A. No, sir.

*By Mr. Sommerville:*

Q. Then, Mr. McKenzie, this amount of 85 cents to \$1 a hundred which was given to the Chain Stores as an advantage—how was that made up?—A. Well, the only place for it to be made up was everywhere it could be made up on individual sales.

Q. On the independents?—A. Yes. Sometimes it was never made up.

Q. Did you make sales at times to these large buyers at cost, or less than cost?—A. Yes, sir, often.

Q. And when that was done, what happened in your purchasing of cattle to replace the beef that was sold in this way?—A. That all depends on conditions, Mr. Sommerville; you would have to go out and buy as many cattle as you could and you would have to go out and buy them as cheap—cheaper than the sale was made for.

Q. So that the price paid by the Chain Store would have a direct bearing upon the price which you paid the producer of these cattle?—A. Naturally.

*By Mr. Factor:*

Q. Did I understand the witness to say they often sold at the Chain Stores at less than cost?—A. Yes, sir.

Q. You sold at less than cost?—A. Yes, sir.

*By Mr. Sommerville:*

Q. Will you tell me why you sold at less than cost?—A. It all depended on what system they bid on, Mr. Sommerville. If they were very anxious to make a sale and wanted volume—

Q. You wanted the volume. Would volume be a substantial factor in trying to keep that trade?—A. Yes, sir.

Q. Then, let me follow the procedure a little further. Having gone out and purchased your cattle at a little less than the price at which you had sold to the chain store, what happened when the buyer of the chain store came in next week and found the price of live cattle was down 50 cents a hundred?—A. Well, he would try to still hold the price of the previous week, if at all possible, to make up for his last loss.



Q. Would he try to get it cheaper because he had succeeded in getting the price of live cattle down?—A. Naturally.

Q. And would you sometimes have to meet him on that price again?—A. Sometimes.

Mr. KENNEDY (*Peace River*): Were the chain stores the only large buyers that got those advantages?

WITNESS: Pretty much, yes.

*By Mr. Young:*

Q. When there was a scarcity of cattle on the market would you give them the same discount as when there was a surplus?—A. Not if you could help yourself.

Q. If there was a scarcity you could help yourself?—A. Not always.

Q. How would they get supplies if you did not cut the price and there was a scarcity?—A. There are lots of ways that could be reacted, because sometimes they would go pretty close to their buying and perhaps not buy that week and work nearer their fresh beef. This packing house business has got to be understood.

*By Mr. Factor:*

Q. What percentage of the beef in your plant is sold to large organizations?—A. I do not know at the present time.

Q. I mean when you were there?—A. I do not just remember.

*By Mr. Sommerville:*

Q. It forms quite a substantial portion of the entire sales?—A. Yes.

*By Mr. Ilsley:*

Q. Tell the committee how you know it was sold beneath cost?—A. If you were running a department for a packing house you have to run your business very carefully and very closely to know every sale made and what it lost you and what it made you.

*By Mr. Sommerville:*

Q. And you knew that on every sale?—A. On every sale.

*By Mr. Factor:*

Q. Surely you know the volume of the beef that sold to large organizations if you were in charge of a department?—A. I do not—I do not remember offhand what the volume was.

The CHAIRMAN: Could you give Mr. Factor just an idea of the volume, if you could, from recollection. I can understand that you could not give it exactly?

WITNESS: No. I could not give it exactly. I could give the number of cattle. They were not all sold as straight cattle; they were sold on cuts. There are a lot of cuts sold.

Mr. FACTOR: What was the total volume of the beef?

WITNESS: I would not care to give that; you can get that through the examining board.

The CHAIRMAN: I suppose what Mr. Factor has in mind is this: was it, say, 30 or 40 per cent.

WITNESS: It would not be that much.

The CHAIRMAN: Was it 30 per cent?

WITNESS: Not 40 per cent.

The CHAIRMAN: Say 30 per cent.

WITNESS: It might be.

The CHAIRMAN: That is an estimate.

WITNESS: That is an estimate.

Mr. ILSLEY: What were your duties?

Mr. SOMMERVILLE: He was manager of the beef department—the buying of beef, the killing of it and the selling of it.

WITNESS: Yes.

Mr. ILSLEY: For Canada Packers?

Mr. SOMMERVILLE: For Canada Packers. And you had under your control, Mr. MacKenzie, the buying staff and also the selling staff in the beef department, had you?

WITNESS: Yes, sir.

*By Mr. Factor:*

Q. Whom would a buyer from a chain organization deal with in your plant? Yourself?—A. The salesmen, as a rule, in the plant.

Q. In your department?—A. Under my jurisdiction, yes. That is, during the time I was in charge of the department.

*By Mr. Ilsley:*

Q. You knew, did you, just how much you must get at a particular time on a particular grade or class of beef in order to come out even?—A. Yes.

Q. You knew that, did you?—A. Yes, sir.

*By Mr. Senn:*

Q. Mr. MacKenzie, where did you get your instructions, if any, to sell below cost to those larger organizations? Did you do that of your own responsibility?—A. It was already understood. The margins were pretty well known by the heads of the company, and what the margins were on the sales, and they still kept on taking them.

Mr. SOMMERVILLE: It is a matter of conference frequently with the executives, is it not, as to the prices that were being obtained from the large buyers?

The WITNESS: Yes.

*By Mr. Young:*

Q. When you gave a large buyer a discount on his beef, did you increase the price to the small buyers to make up your loss?—A. Wherever you could, yes, sir.

Q. Could you always do it?—A. Not always, no.

Q. You could do it only with the very small buyer, is that it?—A. I would not like to say the very small buyer; you tried to do it with everybody you could—make up that loss as you went along.

*By Mr. Kennedy (Peace River):*

Q. Would it depend on how good a business man you are?—A. It all depends on what kind of a salesman made the deal if he was a good man.

*By Mr. Factor:*

Q. The large buyer having bought the meat cheaper at your packing plant, would he sell it cheaper to the consumer through his organization?—A. I do not know anything about that, sir, I could not tell you.

*By Mr. Sommerville:*

Q. Mr. MacKenzie, will you tell me this: what was the practice with respect to giving the prices to the salesmen who were selling beef in those cities or towns where there was a small independent or wholesale butcher? Did you give that salesman any special prices for competitive purposes?—A. We never tied his hands very tight, Mr. Sommerville.

Q. What do you mean by that?—A. I thought that was quite clear enough.

Mr. FACTOR: We cannot understand.

The CHAIRMAN: We are realists.

*By Mr. Sommerville:*

Q. Did you have any policy by which you were after that business even if it should be business at cost or less?—A. In some cases, yes, sir.

Q. In competition with local butchers or operators?—A. Yes, sir.

Q. And was that a regular policy or practice of your department in dealing with such situations?—A. Providing our volume was less than it ought to be, sir, we certainly went out and got all we could; it did not matter where we got it. We had to get it.

Mr. FACTOR: Would there be any objection to asking the witness who were the large chain organizations who bought from the packing plant?

Mr. SOMMERVILLE: No, I suppose not.

The CHAIRMAN: What is that?

Mr. SOMMERVILLE: I think we will get the story given to us by index letters from the auditors.

The CHAIRMAN: I have no objection at all. It is a question if the witness is in a position to tell you.

*By Mr. Factor:*

Q. Do you know who the large chain organization buyers of beef were at your plant?—A. There was Dominion Stores, Stop and Shop, Loblaw's, A. & P.

Mr. SOMMERVILLE: Did not A. & P. buy most of their supplies from Swift's?

The WITNESS: No, not always; they bought quite a lot from Hunnisett, a small operator.

*By Mr. Young:*

Q. Did they all get the same discount from you?—A. Not the same. We tried to cut it down as much as possible.

Q. Did the biggest buyers get the biggest discount?—A. It depends on how hard a buyer he was.

*By Mr. Ilsley:*

Q. Was there competition between you and Swift's in selling to the buyers?—A. Naturally, yes.

Q. There was no daily conference about that?—A. None whatever.

*By Mr. Sommerville:*

Q. Now, Mr. MacKenzie, following through this policy of getting the business wherever it could be obtained, what was the effect of that policy upon the local operator?—A. Oh, it had a deepened effect on the small operator, because if he was a wise small operator, naturally when he found such prices prevailing he would go down and lie in bed and quit for a few days. That is what I would do in his shoes.



The CHAIRMAN: And then come to life again.

The WITNESS: Yes, sir, when he got his breath he would come up again.

The CHAIRMAN: The point is that there was pressure brought to bear upon local markets, where you had competition, to destroy that competition?

The WITNESS: Yes, sir.

*By Mr. Ilsley:*

Q. But not for that purpose, from your evidence. Your purpose was your volume. When your volume was down you got your volume up by any method that you could adopt. That is what you were trying to do, rather than destroy the local buyer; is not that correct?—A. Well, I did not put it in such words, perhaps. I do not know. Do I have to?

Q. No, you do not, of course; but I think that is the purport of your evidence. Is that what you meant to say?—A. I did not say, no.

*By Mr. Young:*

Q. Is this what you accomplish: that you eliminate competition in buying cattle, but you do not eliminate it in selling the beef?—A. You eliminate competition, naturally, when you buy them direct, in buying cattle.

Q. In the yards; but you had a certain understanding. You had a certain understanding in the yards that you would not raise prices?—A. I made that quite clear.

Q. Yes, but you did not succeed in doing that in the sale of your beef?—A. No.

*By Mr. Ilsley:*

Q. Was it your settled policy to wipe out these small competitors in the selling of meat, or did you just resort to this law at times temporarily to get your volume of sales?—A. It is a hard question to answer.

Q. I do not know why.

*By Mr. Sommerville:*

Q. Was the effect of this price cutting to put your competitors out of business for the time being at any rate?—A. Yes.

Q. And you knew that?—A. Yes.

Mr. FACTOR: How did you compete outside of Swift's?

Mr. SOMMERVILLE: He is referring to the towns and cities in Ontario.

Mr. FACTOR: What other policy can be pursued in the case of a large buyer or organization that buys 200 carcasses? You would not expect them to buy and pay the same price as the small fellow who buys one or two carcasses?

The WITNESS: That is the custom nowadays. It used to be the custom that they would have to pay as much as the other fellow, but not lately.

*By Mr. Ilsley:*

Q. I think you could answer my question. I do not see why you could not. Take the instance of where large sellers deliberately entered competition with small sellers of meat with the idea of driving them to the wall and wiping them out. Do you pursue that policy? That is what is called cutthroat competition. Did you try eliminating him, driving him into bankruptcy, erasing him out, getting him out of the world altogether? Did you do that? That would mean you would have to keep on until he was gone. Did you do that?—A. We did not exactly do it that rough.

Mr. SOMMERVILLE: You are Scotch.

The WITNESS: Yes, and I am proud of it.

*By Mr. Senn:*

Q. I would like to ask you two questions. First of all, how does the quality of the sales of beef which were made to the chain stores compare with the quality sold to independent cutters on the whole?—A. I just answered that question a few moments ago.

Q. I asked it, but I did not hear the answer?—A. The difference in price on the same grade of beef?

Q. Oh, no. The public have the opinion that on the whole the larger chain stores are selling a poorer quality of beef than the independent cutters. That is that they buy the cheaper grades of beef?

The CHAIRMAN: Cutters and canners.

The WITNESS: No, no. I would not say that. That is not right. The chain stores buy a good quality of beef.

*By Mr. Senn:*

Q. Now, there is another question. Thirty per cent of your kill, approximately, came direct to the abattoir?—A. It did at that time. I am not talking about the present day. I am talking about up to the time I left them.

Q. How do your prices obtained for these cattle compare with the prices of stock through the stockyards?—A. We do not feel we would do very good work in buying them unless we bought them a little cheaper.

Q. On the whole you buy your cattle a little cheaper at the abattoir?—A. Than through the stockyards, as the figures are there to prove.

Mr. YOUNG: How much? Half a cent cheaper?

The WITNESS: I would not like to say.

*By the Chairman:*

Q. Did you, in your practice, slaughter for retail business many of what are known as cutters and canners?—A. Retail business?

Q. Yes?—A. Canners—never for retail business, no.

Q. Cutters?—A. Cutters, sometimes; yes, sir.

Q. Was that inferior beef?—A. They were the next grade to canners. That is the way they are graded.

*By Mr. Young:*

Q. What is a cutter?—A. Just the next thing to a canner.

Q. A canner is an old cow?—A. So is a cutter. Any cow is an old cow that comes on the market for sale. Unless she has something the matter with her no farmer wants to sell a good cow if she is producing until she gets old.

*By the Chairman:*

Q. Would the elimination of that class of beef, or a more strict inspection and grading of it so as to eliminate the poorer parts from the retail market, assist in restoring the price of good beef?—A. It would to a large extent, sir.

Q. As an experienced handler of beef, would you advise it?—A. I would, strongly.

*By Mr. Young:*

Q. What is the objection to that kind of beef except that it is tough; is it not good food?—A. It might appeal to some people. It tastes all right.

Q. I am not talking of the taste?—A. There is no taste to it.

Q. Is it not nourishing?—A. No. It cannot be nourishing; an old cow twenty-five years old cannot be nourishing.

*By Mr. Factor:*

Q. Your evidences discloses that a large chain organization bought a good quality of beef in large quantities and paid a smaller price than the smaller buyer?—A. Yes.

Q. What is the objection to that?—A. Well, I want you to repeat that.

The CHAIRMAN: I do not think the witness said that.

Mr. SOMMERVILLE: I asked him what effect that chain store price had on the producer—that was the object of getting the information—and if they were selling at less than cost; and he said they had to go out and replace it at a lower figure on the market and that tended to reduce the price to the producer.

*By Mr. Factor:*

Q. As a matter of fact, the large chain organization does sell its product cheaper to the consumer does it?—A. I do not know. I could not answer that.

*By Mr. Edwards:*

Q. Just on that point. Regarding the chain store, buying a first-class product at a low price—I mean at a price below your cost—you endeavour, as I understand it, to make that loss up by selling to the independent buyers, who are not as keen buyers and not so well acquainted with the market? You endeavour to make up that loss from the independent buyers?

The CHAIRMAN: The retailer.

WITNESS: Yes.

*By Mr. Edwards:*

Q. In other words, the independent is not in as good a position to cater to the general trade and to give as good a product as the chain store buyer on account of the way he buys? He can give the product, but not at the price?—A. Yes. Of course, his overhead is not as big as the chain store so he can give the price.

Q. He starts off with the initial cost of the product at a dollar higher than the chain store?—A. Yes.

Q. Consequently, he is at that disadvantage in catering to the general public?—A. I would answer that question in this way. As a rule, the man in business for himself can get a better percentage. That is, cut more out of a carcass of beef than the man hired by the chain store.

Q. I see that. That applies in any line. He is giving his own individual attention to it, but he starts off—A. Yes, at that disadvantage.

Witness discharged.

The CHAIRMAN: We will call on Mr. Wright.

ROBERT A. WRIGHT, called and sworn.

*By Mr. Sommerville:*

Q. Mr. Wright, you are president of the Western Canada Live Stock Union?—A. Yes.

Q. And that union covers the four western provinces, Manitoba, Saskatchewan, Alberta and British Columbia.—A. Yes, it has a membership of all the horse, cattle, sheep and swine organizations of the four western provinces.

Q. Yours is purely and completely a producers' organization?—A. Purely so; no selling agency.

Q. There are no selling agencies in your organization?—A. No, sir.

Q. And no co-operative agencies?—A. No. We are interested from the producers' standpoint entirely.



Q. You desire now to present the opinions of this producers' organization?

—A. Yes, I so desire. I desire to express our appreciation of the opportunity afforded us to appear before your committee and make a presentation of the live stock problems of western Canada. I shall limit my remarks to the order of reference "D," "the method and system prevailing in the marketing of live stock and animal production for domestic consumption and export, and the extent to which the present system affords or restricts fair returns for production. I may say there is very keen interest in the working of this committee. We in western Canada expect great things from it, because there is a limit to which any industry, such as the live stock industry, can operate below the cost of production without reflecting to the detriment of the whole economic structure of the country. You know the difficulties of the live stock industry at the present time, and for the past few years, and we are looking for the correction of some of the evils in the live stock business, which is long overdue.

Q. You yourself are a producer of live stock?—A. Yes, I am. I am a farmer, and my sole source of revenue is farming. This organization which I represent remunerates me in no way.

Q. It is a voluntary organization, from your standpoint?—A. Yes.

Primarily we desire to state that we represent a strictly producers organization that has no selling agencies, and we are vitally concerned in the whole problem from a producers' standpoint only. I am a farmer myself and farming is my only source of revenue.

The Western Canada Live Stock Union of which I am the president, is composed of a membership of the horse, cattle, sheep and swine associations of the four western provinces, and by resolution passed two years ago, limits its membership to producer organizations or associations, who are primarily interested in the welfare of their industries. This organization has been in existence since 1913, and we believe that its recommendations carry with it the true producers' viewpoint and the wishes that they may have for improvements.

We shall not burden you with an elaborate array of detailed figures—there are others that have that responsibility—but will confine our statement to a brief recital of facts as we know them.

Furthermore, we desire to support the statement of the two western Ministers of Agriculture—as you have heard Mr. MacKenzie and Mr. Buckle state, we were invited to sit in at their conference when preparing their respective briefs—in their general recommendation already submitted, and request your committee to consider more carefully the recommendations as outlined, which are attached to this statement as appendix "A."

In order to understand the live stock industry of western Canada, it is necessary to get a composite view of the numbers of live stock on the farms. I herewith submit a chart, appendix "B," which shows the development of live stock in graph form for the three western provinces, Manitoba, Saskatchewan and Alberta. I will hold it up for a moment. It shows that we have more in 1924 than at any time. These fluctuation are primarily due to market demand; that is, this was a deflation period following 1919 to 1920. It extended up to practically 1926 when the Fordney-McCumber tariff was put on cattle. Then there was a period from about 1925 that we could jump that tariff barrier, and that extended practically to 1928, when prices in the United States fell, and then our line carries along. The increase here is due primarily to holding off that is due to low prices. Ranchers particularly have withheld their marketings. Our swine line runs along pretty evenly until low grain prices, which are reflected in that it has been more profitable to put our coarse grains in western Canada through hogs and market them in that manner. The Imperial Conference agreement has benefited producers very well. The sheep line runs pretty well straight. The table showing how these figures are compiled on the graph is attached to this statement, and marked appendix "C."

Climatic conditions divide western Canada into two definite areas. Just to refresh your mind, I have a map of western Canada here. Our agriculture is being confined, and becoming more and more regional. I want to bring that point out. If one were to draw a line from Estevan to Lloydminster on the Saskatchewan-Alberta boundary, and southward from Lloydminster to Lethbridge in Alberta, and bounded on the south by the 49th parallel of latitude, the boundary, a triangle would be formed which on the outside portion, through Manitoba and the northern areas, generally speaking, would show the park belt in which there is the heaviest grain production. Inside this triangle are grain growing and ranching areas to the west of it. Inside this triangle mixed farming is most precarious, and it is not thought that we can get very far away from the climatic conditions that greatly influence the type of farming that is conducted in any given area. It is true that the grain growing areas, when good crops follow inside the triangle, are capable of producing increased live stock; but when we have drought periods like we have had in the past few years, these areas immediately have to decrease live stock and are therefore not a constant factor in production. On the other hand, the superior quality of grain grown within this triangle very largely offsets the advantages which are enjoyed outside the triangle through increased yields per acre of a somewhat lower grade of grain. That is, the amount of grain produced per acre within the triangle, which is approximately 15 bushels of very excellent grain, while outside it is approximately 24 bushels per acre of inferior grade, over a period of years would probably not equal in value the grain grown within the triangle. Broadly speaking, the area in which diversification will ultimately develop is outside of this triangle. Inside of the triangle diversification will depend very much more upon seasonal climatic conditions, and also to some extent on farm practices of individual farmers. As agricultural practices adjust themselves, such practices will automatically zone themselves within definite areas. We would refer you to a recent statement of Dean Shaw of the University of Saskatchewan, one of the leading authorities on western agriculture. I will leave a copy of his remarks with you, which deals with this problem. The prairie provinces are cognizant of some of the readjustments that will have to take place.

Suggested market restrictions on wheat production compel the consideration of ways and means of utilizing an increased portion of the surplus. Particularly does this apply with respect to the lower grades of grain as feed for live-stock. Proclaimed uncertainties of wheat marketing render it necessary to supplement the farmers' income by increasing the acreage of coarse grains for feeding and finishing live stock, or in other words a conversion of these coarse grains into meat and meat products.

If this is western Canada's ultimatum, then steps must be taken to place our live stock producers nearer their ultimate market and lessen and modify geographic and climatic handicaps. Manitoba has gone through this development and is fast becoming a mixed farming area. Mr. McKenzie's chart showed now wheat acreage had not increased while live stock had increased. In the past our agriculture has been going through possibly an exploitation of land. We are now beginning permanent agriculture, and that might be illustrated by the fact that our grain exports in 1929, in comparison with our live stock or animal products exports, amounted to one-eighth, while last year they were approximately one-fifth.

To illustrate, in the production of marketing of our hogs, we have to compete with Denmark and the Baltic States. These countries have the following advantages: first, more rainfall; second, they can purchase their feeds at world's prices which are low as compared to the actual cost of production; third, are closer to import markets, Great Britain in particular; fourth, they have short



rail hauls and are dependent on relatively cheaper water hauls. In the case of our beef cattle production, we have the Argentine as our foremost competitor with their natural advantages both as to climate and haul; in dairy production, mutton and lamb, New Zealand and Australia.

It not only seems logical, but to us imperative, that a real effort must be put forth to place our producers in a better position to meet the above referred to competition on a more helpful and equitable basis.

Western Canada, viewed from its productive capacity, is a vast interior empire within itself. The only limit to our production capacity is our ability to produce profitably.

To substantiate the preceding paragraph, Canada in 1932 exported only 19,542 head of beef cattle over a year old, whereas western Canada's surplus was 107,253 head. Net exports of beef and veal from Canada in 1932 were 4,055,078 pounds, whereas the surplus from western Canada was 29,454,157 pounds. Net exports of pork were 43,535,723 pounds, while the surplus production in the three prairie provinces was 103,716,627 pounds. Exports of mutton and lamb in 1932 were less than imports by 353,716 pounds, whereas the surplus produced in the prairie provinces was 5,579,525 pounds. Net egg exports were 232,840 dozen in 1932, but a surplus of 8,133,150 dozen was shipped from the prairies. In addition, a large surplus of butter, approximately 31,000,000 pounds and 7,500,000 pounds of dressed poultry was produced in western Canada for consumption outside of western Canada.

Q. That is mostly in the rest of Canada?—A. Yes.

Total shipments from western Canada in 1932 included 659,955 live animals and 128,447,241 pounds of meat of all kinds. These figures show that if it were not for the surplus produced in the prairie provinces, large quantities would have to be imported annually by this Dominion.

This data illustrates the extreme importance of our live stock industry to all sections of Canada, not only in relation to the nation's food supply but also because of the secondary industries that are dependent upon it for raw material for their factories.

We submit that the extent to which diversification has already been established in western Canada should not be underestimated; the live stock industry should be recognized by all governments as a vital part of our domestic economic system, which must be correctly related to other phases of agricultural production as well as the industrial life of Canada as a whole.

I think it has been amply shown by the two western Ministers of Agriculture—and I believe, Mr. Chairman, that Mr. Hoadley will follow some time later—that each province has some slight difference in production problems, both as to grain and live stock. Beyond any doubt, we western farmers must continue to produce if we are to maintain our farms and homes. That then brings me to the direct problem as to what we shall do with our production of live stock and live stock products.

Markets: The annual meetings of the Western Canada Live Stock Union held from year to year have continually stressed the importance of markets, and our wishes have been placed before governments from time to time. It may be safely stated that the producers of live stock are not convinced that all efforts have yet been made to secure markets for their products. We have requested trade commissioners with agricultural experience and education, who would have as their specific duty the securing of more markets for live stock and live stock products, and we are still of the opinion that many new outlets for our products could be found if concentrated efforts were made along that line. At the last meeting held in Moose Jaw this January, the following recommendation was passed:—



That steps be taken to develop to its normal capacity the consuming power of the domestic market, to increase our empire markets, and establish foreign markets by favourable tariff and trade agreements.

To secure additional outlets for Canada's live stock production is the pressing need of the producers of western Canada, as well as Canada's obligation to the live stock industry as a whole.

The western live stock producer realizes that although he has steadily improved the quality of his products, he must continue its improvement and is prepared to do so. He must, however, be given some reasonable assurance of satisfactory and profitable markets. He has reached the limit of his own resources. He is unable to secure further credits to propel an industry which has vastly proven unprofitable, and unless some national adjustment is forthcoming he will be forced out of business.

We commend the bankers when they stated that the keynote to national recovery was more trade, which could most likely be brought about by governments getting together and arranging a more favourable basis for international trade.

One of Canada's leading packer representatives stated before one of our meetings that unless Canada could find markets for her surplus cattle, it would leave the cattle industry in a very precarious situation, on the other hand that additional profitable market outlets would considerably raise the price of live cattle to Canadian producers.

#### CREDITS

The achievements, stability and strength of the Canadian banking system has been constantly put forth by representative bankers. Despite their statement to the contrary, there has been an equally constant refusal, almost to the point of restriction, to supply credit to farmers desirous of financing their live stock feeding operations. It is a well known fact in Western Canada among farmers that credits cannot be secured and notwithstanding reasons given to the contrary banking institutions must accept their share of responsibility for producing the present stagnation in the business of feeding live stock. Our understanding is that Section 88 of the Bank Act was inserted to make it possible for banks to make such loans. Our experience, however, very clearly indicates that Section 88 is not so interpreted in general banking practices. The feeling is so general among farmers as the result of refusals for renewed credit from the banks that farmers have come to the conclusion that further credit for live stock feeding is not in existence.

The reaction of the live stock men to present credit facilities is revealed in the following recommendation:—

*Credits*—that active steps, by legislation or otherwise, should be taken to make live stock credits more accessible and at lower interest rates, on short, intermediate and long term credits; such credits being used for the retention of breeding herds, the development and building up of feeding areas, and the feeding and finishing for market with a view to consuming surplus grains.

The producer of cattle and sheep on the range has not the feed and facilities to finish his stock, whereas grain farmers throughout the West have a surplus of roughage and coarse grain which can only be profitably disposed of as feed for live stock. These farmers have not the ready cash to purchase the rancher's stock and unless credit can be arranged for, two things happen, the rancher loses an outlet for his stock and the farmer an outlet for his grain. A clean cut example of where with a reasonable and adequate credit it would be an advantage to the producer on the range and the farmer who has feed and the money loaning institutions.

There is a financial company in Western Canada known as the Dominion Agricultural Credit Company Limited with a capital of \$5,000,000 which has been subscribed by many of the financial corporations in Canada. It was brought into being by a sincere desire on the part of its originators to give assistance in various ways to the live stock industry. To date, it has failed in carrying out its original purpose. We have been told that it is the function of the banks to supply these necessary credits, but we hope that there will soon be evolved by this company a credit system that will function more closely in harmony with its original purpose

*By Mr. Ilsley:*

Q. Mr. Wright, what is your idea of the reason why the Dominion Agricultural Credit Company has not carried out its original purposes? I remember that when it was brought into existence everybody thought they were going to try to help the live stock industry?—A. I know nothing of the inner workings of the company. I simply know Mr. Beatty's statement, and the originators of the plan. It is evidently a matter of management and policy within the corporation.

Q. They would lend the money if the credit risk was good, would they not?—A. They are loaning money primarily today on sheep loans; and it is just unfortunate for the man who goes into one of their sheep schemes, he pays an enormous rate of interest; that is, it is on a share basis, and he pays a high rate of interest on a share basis. That is primarily the way they are working at the present time. They are not interested in the feeding of cattle or lambs by making loans to the feeder. We have no desire to further increase herds, but there are certain ways they could help the rancher by loaning money to the feeder for the farmer to buy feeders and utilize his coarse grain.

Q. Do you know what the rate of interest charged by this Dominion Agricultural Credit Company Limited is when everything is taken into account?—A. I believe on their cow loans it is 6 per cent.

Q. Well, what do you mean by share basis?—A. Sheep loans are on a share basis.

Q. What do you mean by that?—A. Well, over a term of years the lambs are marketed, and they deduct a portion—I cannot tell you what portion—each year on the lambs when they are marketed; that sum is deducted from his loan.

Q. Do they take the proceeds of the product and apply it on the loan?—A. Yes, sir, over term of years.

Q. You mean, a share of the proceeds?—A. Yes, sir, I cannot tell you what it is.

*By Mr. Sommerville:*

Q. Would not their basic rate on sheep be somewhat the same as the 6 per cent in the case of cows?—A. Well, when taken over a period of years it tends to compound, that is why the sheep men pay a high rate—it tends to compound.

*By Mr. Young:*

Q. Are there any expenses added?—A. Yes, there are some expenses added; I cannot tell you just what they are, there is a supervising charge.

*By Mr. Kennedy (Peace River):*

Q. Is not the chief reason for the failure of the general application of this scheme the fact that live stock prices have been falling practically continuously since the scheme was commenced?—A. That has been a factor; yes, sir.

*By Mr. Sommerville:*

Q. The risk has been more uncertain than in the case of sheep?—A. I think their policy has been a very cautious one.



Q. I would expect it would be?—A. As far as loans go, I think it has been an attempt on the part of the management to maintain that capital without losses.

*By Mr. Young:*

Q. But your idea is, Mr. Wright, that they would do better not to loan money to increase herds, but rather to loan money to improve what there are, and to assist in feeding and finishing?—A. Yes, sir, that should be the aim of the company, rather than getting more men in the live stock business.

*By Mr. Kennedy (Peace River):*

Q. I think, Mr. Wright, though, that the purpose behind this credit organization is to distribute live stock around among the small farmers?—A. I think that was one of the purposes.

Q. But you are advocating that they should help the man who is in the feeding business?—A. Yes.

Q. Your position is that the financial interests in the country do not loan when there is any risk?—A. Yes, it is very difficult to get the banks to loan on a feeding operation.

Q. We have been given to understand that there is plenty of money, and that they will loan when the credit risk is not too great?—A. The producers have the opposite experience.

The CHAIRMAN: I think the difficulty is a narrowing of the interpretation of the bank's application of section 88.

Mr. EDWARDS: Does section 88 apply in these cases?

The CHAIRMAN: Oh, yes, to live stock and farm products. But I think the banks interpret that as applying to the movement of cattle to market, rather than to the process of feeding or fattening cattle.

The WITNESS: That is quite right.

The CHAIRMAN: Or else, it should be broadened.

The WITNESS: It should be broadened to apply.

*By Mr. Young:*

Q. Have they changed their policy any of late; I mean, are they worse than they were?—A. It is worse, yes, sir.

Mr. FACTOR: That is a matter which might be referred to the Banking Committee.

*By Mr. Young:*

Q. But you do not know what added cost by way of expenses this corporation imposes?—A. I cannot tell you, no, sir.

#### TRANSPORTATION:

In presenting our recommendations with regard to transportation, I am fully cognizant of the difficulties in connection with our transportation problems with which our railways to-day are faced.

Transportation costs are too high in relation to the farmers' net returns to allow successful competition with our more favourably situated competitors. If reductions were made in the freight tariff on cattle and lambs in the movement to feeding areas from districts where crops are deficient there would not only be the possibility of more profitable traffic for the railways but encouragement for the feeders and ranchers to get raw materials converted into finished products.



Our organization recommends the following:—

*Transportation*—for legislation in reference to transportation rates which would provide:

- (1) inclusion of a stop in transit rate for feeding and fattening live stock for market;

As an illustration of the problem involved, let us take a practical case: A rancher at Maple Creek, Sask., sells a carload of feeder calves (40 head) to a farmer at Melfort, Sask., who has the grain and roughage for finishing; the rate on the carload (minimum 20,000 pounds) is 37½ cents which at a three-quarter rate would amount in freight to \$56.25 (this three-quarter rate is not in the regular tariff schedule but has to be specially arranged for with each shipment). The farmer at Melfort finished these calves and now has two carloads to ship out. The rate on two cars from Melfort to Montreal is \$1.12½ per hundred pounds and amounts in freight charges to \$450. This makes a total of \$506.25 in freight from original point of shipment, Maple Creek, through Melfort to Montreal. Suppose now the feeder was in Eastern Canada, and the rancher sells the Toronto feeder a similar car of calves the rate from Maple Creek to Toronto is \$1.12½ per hundred pounds, which makes a total freight bill of \$225. The Toronto feeder finishes these calves and now has two cars. They are shipped from Toronto to Montreal and the rate is 29 cents per hundredweight or a total freight of \$116 but the feeding in transit rate applies on Eastern movements for exports and the actual freight paid is one-half this amount of \$58. The total cost in freight to the Toronto feeder is therefore \$285 while the total cost in freight to the Melfort feeder was \$506.25 in an endeavour to perform a similar feeding operation. A straight example of flagrant discrimination against the western feeder.

In view of the present high rate, it would be actually sounder economics for the rancher to ship his cattle direct to the United Kingdom for feeding and finishing than to ship to areas in the West where feed is available for finishing. Lower domestic and export rates on cattle are, therefore, necessary in order to encourage finishing at interior points.

The CHAIRMAN: At this point the witness refers to Appendix D which is attached to this statement. It seems to me that this is a rather important appendix, and that we might ask if it should be inserted here in the evidence so that it will show at this point. What do you think of that, do you think it should go in here?

Some Hon. MEMBERS: Yes.

The CHAIRMAN: Appendix D will be inserted in the record at this point.

FREIGHT RATES ON LIVE CATTLE, SHEEP AND HOGS IN CARLOADS, FROM VARIOUS STATIONS IN WESTERN CANADA TO POINTS IN EASTERN CANADA, MONTREAL AND WEST THEREOF.

From	Rate in Cents per 100 lb.					
	Sept. 1914	Mar. 15, 1918	Aug. 12, 1918	Sept. 13, 1920	Jan. 1, 1921	Aug. 15, 1921 to date
Calgary, Alta.....	90	103½	108½	148½	143	114½
Coronation, Alta.....	90	103½	108½	148½	143	114½
Edmonton, Alta.....	94	103½	108½	148½	143	114½
Lethbridge, Alta.....	90	103½	108½	148½	143	114½
Macleod, Alta.....	90	103½	108½	148½	143	114½
Stettler, Alta.....	93	103½	108½	148½	143	114½
Wetaskiwin, Alta.....	94	103½	108½	148½	143	114½
Broadview, Sask.....	75	86½	93½	128	123½	99
Maple Creek, Sask.....	88	101	106½	146	140½	112½
Moose Jaw, Sask.....	87	99	104½	143	138	110½
Prince Albert, Sask.....	89	102½	147	147	142	113½
Saskatoon, Sask.....	88	101	106½	146	140½	112½
Wilkie, Sask.....	89	102½	107½	147	142	113½
Yorkton, Sask.....	77	88½	95½	131	126	101
Brandon, Man.....	64½	74	83	114	110	88
Portage la Prairie.....	62½	72	81	111½	107½	86
Winnipeg, Man.....	60½	69½	79	108½	105	85

FREIGHT RATES ON LIVE CATTLE IN CARLOADS, FROM VARIOUS STATIONS IN WESTERN CANADA TO EASTERN SEABOARD PORTS FOR EXPORTS

	Rate in Cents for 100 lbs.					
	June 1, 1916, To-A			Aug. 15, 1921 to date. To A		
	Montreal	Quebec	West St. John	Montreal	Quebec	West St. John
Calgary, Alta.....	90	95	95	114½	114½	121
Edmonton, Alta.....	90	95	95	114½	114½	121
Moose Jaw, Sask.....	86	91	91	110½	110½	117
Prince Albert, Sask.....	89	94	94	113½	113½	120
Winnipeg, Man.....	60½	65½	65½	85	85	91½
Toronto.....				29	36	48

NOTE.—Eastern shippers only pay half rate for export shipments.

- (2) Revision downward on domestic consumed grain used for feeding and fattening live stock for markets;

As an example of the inequalities of the freight rate structure on grains moved within the province, the rate on grain from Maple Creek to Moose Jaw is 20 cents per hundred pounds for a distance of 194.9 miles whereas the rate from Moose Jaw to Fort William a distance of 817.1 miles is the same. This is a transportation difficulty that faces every farmer who has to purchase grain for finishing live stock. Furthermore the rate on screenings which are most readily available from Fort William is 25 cents per hundred pounds from Fort William to Moose Jaw while if grain has to be backhauled it is on a straight mileage which is 41 cents from Fort William to Moose Jaw. This backhaul movement would, of course, be an unusual occurrence but we have seen the spectacle of millions of bushels of barley piled up at Fort William which could not be profitably returned for feeding purposes.

(See attached Appendix E of freight rates on grain).

- (3) reduction on live stock and live stock products (including chilled meats) by truck, rail or ocean;

Transportation is one of the vital factors in the net returns the producer receives for his live stock. We believe that a revision of the rates as suggested would overcome many difficulties and ultimately would produce more revenue business for the railways. The antiquated facilities of handling live stock are readily shown when comparison is made with the up-to-date equipment used in the transportation of manufactured products.

(See schedule attached for freight rates on export of meats).

Here may I say that many charges aggravate the live stock shippers, such as differential charges, loading and unloading. There are many of these minor charges that aggravate the live stock shipper exceedingly.

The CHAIRMAN: Now, I think this is as good a point at which to stop as any. There are some of you gentlemen present, I have no doubt, who would like to attend the luncheon which the Prime Minister is giving to the Postmaster General of Australia. I think we will stop at this point, and if it is agreeable to the members of the committee, we will meet again at four o'clock this afternoon.

The Committee adjourned at 12.50 p.m. to meet again this day at 4 o'clock p.m.

The committee resumed at 4 o'clock p.m.

Mr. MARK SENN, Acting Chairman.

Mr. WRIGHT, recalled.

Mr. FACTOR: I would like to file with the committee a statement showing the cost of handling and distributing retail milk. It was made to me by Mr. Frawley. I suppose the reason it was sent to me was because I asked him for it during the investigation.

The Acting CHAIRMAN: Mr. Frayley?

Mr. FACTOR: No. Mr. Frawley of Alberta?  
(Statement filed marked Exhibit 102.)

The WITNESS: I was discussing, before adjournment, matters relative to transportation, and I had got to page 13 of my brief. I again wish to impress upon the committee the difficulties which producer organizations had in getting correct matters that we feel will not only affect the wellbeing of the livestock industry, but Canada as a whole.

The organization which I represent, since its inception, urged before constituted authority a readjustment of our whole freight tariff structure in so far as it applies to shipping of live stock and live stock products. Our efforts have been unavailing. The receptions which our organization have received have not only been discouraging to the Western Canada Live Stock Union, but to live stock industry of Western Canada. As a last resort, we are pressing our recommendation before the members of this committee in the hope of their receiving your sympathetic consideration, and provision made in your report for some measure of relief which we regard as long overdue.

We have taken council as to the advisability of carrying this matter to the Railway Board and higher courts but in each instance we have found that owing to the complexity of our railway problem we have been advised not to prosecute or carry these matters to this extent. We are, therefore, making these recommendations to you with the hope of securing action both in the interest of the live stock industry and the railways.



Mr. FACTOR: Of course, the difficulty is that the railway board is the only body that has the jurisdiction to reconsider the freight rate structure.

The WITNESS: Yes, Mr. Factor.

Mr. SOMMERVILLE: Your argument is that by placing the problem before this committee you want this committee to take some steps toward bringing the matter before the railway board?

The WITNESS: To bring co-ordination of interests so that they will take some steps to give relief.

Permanent fact-finding commission: Again do I refer to the recommendations of the live stock producers of this organization who passed the following resolution:—

“Be it resolved that this annual meeting of the Western Canada Live-stock Union recommends to the government of Canada the appointment of an investigating commission representative of all important phases of the live stock industry and authorized and directed to enquire into the production and marketing of Canadian live stock and to recommend such action as they may deem necessary, and

“Further that it is the opinion of this meeting that it is desirable that a permanent board be appointed clothed with Federal authority and concerned with the marketing of Canadian live stock.”

It is of the utmost importance that all essential facts respecting the live stock industry in relation to production, transportation, processing and marketing, be carefully studied and made public so that the difficulties involved may more clearly be understood and corrective measures can be taken. That uncertainty, quite beyond the producer's understanding, is what should be cleared.

*By the Acting Chairman:*

Q. Your recommendation is for a permanent fact-finding commission, or a permanent board. Would you consider that the marketing board which would probably be set up by the legislation now before the House would be sufficient for your purpose?—A. Well, in as far as that is concerned, in my opinion, the marketing act is not yet legislation.

Q. No, not yet?—A. I have not taken that into consideration.

*By Mr. Sommerville:*

Q. Your argument is that, at any rate, there should be a marketing board for Canadian live stock?—A. There should be a fact-finding body set up.

Q. That is the first reason; and secondly, a permanent board should be appointed, clothed with Federal authority and concerned with the marketing of Canadian live stock?—A. Yes.

*By Mr. Kennedy (Winnipeg):*

Q. Have you any views as to whether or not grain should be included in that?—A. In the marketing act?

The Acting CHAIRMAN: We have now a grain act and a board of grain commissioners.

*By Mr. Kennedy (Winnipeg):*

Q. In view of the present regulations covering the marketing of grain, would you care to express any views as to whether or not that should be included in the marketing legislation?—A. Well, I am in a rather difficult position. I really have not correlated the marketing act; but what I have in mind—and I so state further on—I am just a little bit dubious in regard to all compulsory or regulating measures in as far as our export products are concerned—agricultural products.

Q. I realize it is asking you a difficult question?—A. I am interested purely as an agriculturist. In my answer there is no partisanship. I am interested purely as a producer, an agriculturist, and I am opposed to those measures that in any way interfere with price fixing, because they react to the detriment of the producer.

Q. You see you are suggesting that inasfar as live stock products are concerned there should be some such control?—A. Not control; but we are asking for a fact-finding body.

*By Mr. Sommerville:*

Q. This is the first request: "it is the opinion of this meeting that it is desirable that a permanent board be appointed clothed with Federal authority and concerned with the marketing—"—A. If you will allow me to go on I will further explain that point. That is from a producer's standpoint.

We are inclined to believe that some of the evidence submitted to your committee has been biased—I wish to say here that I in no way wish to depreciate any of the evidence; that is farthest from my mind—but I do feel that it has been biased and although stating that the producers' interests came foremost, we must point out the basic reason for some submissions. For example, the co-operative organizations are directly in the business of commission selling, are operators of public stock yards and until recently were in the packing business and even now a large part of the revenue in the province of Saskatchewan is received from custom killing. Naturally we must dismiss their avowed attitude when their very business depends upon charging the producer all the charges the traffic will bear.

Furthermore you have had representations that again insisted upon the welfare of the producer being paramount but we know their spokesman has the control of two stockyards in western Canada and is directly dependent upon charges made on the producers for profitable business.

Individual effort to bring matters to governmental attention is usually non-fruitful and western Canada has gradually been asking more insistently for Board of various descriptions. Behind the suggestion of our Board is that this Board would study all the problems in relation to the industry, investigate complaints and make definite recommendations to the government, as to ways and means of enacting legislation to right these injustices and to place the live stock industry on a similar footing with the export grain industry in Canada.

The thought behind the Board as suggested by the Union is that it be a permanent fact finding institution set up to function for the live stock industry in much the same way as the grain Board functions for the grain industry. However, it will immediately become apparent to everyone that if this Board could do for a live stock industry all that its exponents hope for, it would have more power than the government and if it has no power other than in making recommendations it can have limited assistance for the live stock industry. We now have a department of agriculture set up to do the work as outlined for the Board in the recommendations of the Union. It would seem then that if our Departments of Agriculture would function as we wish them to, there would be no need for superimposing further expense on the country for a Board.

We recognized the Departments of Agriculture have highly trained technical men, most efficient in their work and we believe capable of giving the necessary guidance. In other words, Departments of Agriculture appear to be set up to serve governmental policies which may be a vastly different thing from serving the farmers. If departmental officials can function freely with the one objective in view, viz., that of aiding the industry, it does not appear necessary to establish any additional board. On the other hand Canada is badly in need of some authority to direct the industry which authority could function unhampered by political considerations.



*By Mr. Young:*

Q. In other words, you want a board similar to the Board of Grain Commissioners?—A. That is what is in my mind—to administer the Live Stock and Live Stock Products Act.

Q. You do not want a board who shall dictate who shall export and who shall not, or who shall sell stock and who shall not?—A. That is not what is in the mind of the producer or the thought behind the effort as suggested by the Union.

*By the Acting Chairman:*

Q. I see you are president of the Western Live Stock Union?—A. Yes.

Q. Have you had any communication with the Eastern Live Stock Union in respect to this matter?—A. We have not. As a rule we work in conjunction with them. At the time of the Imperial Conference we prepared a draft jointly, but in this instance we submitted our case without consulting them.

Q. And you have no idea what their opinions on this matter are?—A. No, sir. We looked on this purely from a western viewpoint.

*By Mr. Sommerville:*

Q. You were speaking of the export trade. Do you find that one of the difficulties with establishing the cattle industry on the markets of England is the irregularity of shipment or the want of continuity?—A. Well, they go together. There is an irregularity.

Q. Does that not affect the market that Canada has in England?—A. Decidedly.

Q. Would a marketing board not be in the position to do something towards providing for a more continuous flow to that market?—A. I think its efforts would be largely educational. I do not see how they could go into the feeding of cattle and holding them back and keeping a continuous supply.

Q. You think the Board's efforts would be educational?—A. I think trade regulates that pretty well. We market our cattle in western Canada as they are ripe off the range into the feed lots, either of western Canada or eastern Canada, and from there to the export market.

*By Mr. Kennedy (Winnipeg):*

Q. We have had considerable evidence in relation to the desirability or otherwise of the marketing of live stock through public yards or direct to the plants, and I think evidence was submitted by the Hon. Mr. McKenzie, Minister of Agriculture in Manitoba, to the effect that so far as the western provinces were concerned at the present time the ratio has increased whereby about 50 per cent of the livestock is marketed direct to the plants and 50 per cent through the yards. Have you considered that question? Have you any views to express as to the desirability of some regulation being passed whereby it would all be marketed through public yards, or leave the avenues open as they are?—A. Well, the Honourable Mr. McKenzie's charts were very graphic. They showed in western Canada markets the increase during these periods of low prices—the increase in direct shipments to plant, and I think, possibly, it is due, first, to the excessive marketing costs or charges during these periods of low prices. I think that is the first factor.

Q. You mean relatively high as compared to the prices they get?—A. To the prices received. Then there is, possibly, the development in truck shipping and good roads which have contributed to it. There is also the decentralization of our packing plants—that is the small plants—Moose Jaw ten years ago had ten plants, Winnipeg has always had an abundance of plants. It has been our live stock centre; but we now have them scattered all over the west; Moose



Jaw has two, Calgary has two, Edmonton, I believe, has three, Saskatoon has a small killing plant, a co-operative plant. So that there has been a decentralization. That, probably, has been one of the reasons. By that I mean the big packer has been forced, to get his run, to go to the country for it or to encourage it to come direct to his plant. I think those are the reasons for it. So far as compulsory measures are concerned, there again I am averse to any form of compulsion in our marketing system. It just is not Canadianism; it is Sovietism.

Q. It is your considered opinion that there should be no regulation which would force the marketing of live stock through the public yards?—A. I maintain that the producer cannot—Honourable Mr. McKenzie's chart showed a little over 50 per cent going direct—these producers cannot all be wrong. Mind you, I am not speaking insipidly, because I am not so sure that is why we are asking. I am one of those producers who is very doubtful as to whether or not it is for good or ill in our marketing system. I want to be fair.

Q. Then you have not come to any definite conclusion as to whether or not the gradual development of direct sale to packers has a depressing effect upon the market?—A. Personally, I think it has, yes; but, on the other hand I market my own hogs and cattle direct to the plant. There is that paradox.

Q. I am not interested one way or the other, other than to get information.

*By the Acting Chairman:*

Q. Are there any exceptional circumstances why you should do that? I am in the same position—A. For the same reason that probably the farmer does it—due to excessive marketing charges and the low prices. I am very anxious to get everything I can.

*By Mr. Sommerville:*

Q. Do you think you are getting that when you are shipping direct to the plant, or would you get more on a competitive market?—A. That is one of the things I want a fact-finding body to tell me.

Q. For instance, I read of this situation on February 20, 1934: "With 2,200 hogs offered on the public market of Edmonton stockyards Tuesday, keener competition shot prices to \$8.90 for carlots of bacon grade, fed and watered. This is a jump of 50 cents from Saturday and makes a new season high. It also made a western record for Edmonton. It put Edmonton market above Winnipeg where hogs sold at \$8.60 off car weights." Do you think that such a condition would be possible if you were shipping direct to the plants as against a public market, where they would offer and get a higher price in Edmonton than they were getting on the Winnipeg market?—A. I don't know all the factors entering into that case. May I state it in another way? Over a period—and I am not stating the packers' case—but over a period of time, the packers get all the live stock products. Whether the fluctuations are greater because we are giving them the product direct or not, I am unable to answer. But my point is with the average line of prices, I believe it does not make very much difference. That is the argument I put up to myself in marketing direct to the plant.

Q. Do you agree with Mr. McKenzie, that if this direct shipment continues in the ratio in which it has been developed, the loss of our stockyards is likely and will be calamitous to the industry?—A. Yes. I am very much concerned over that.

Q. Is it not a fact that the price that you get is very much regulated by the only published price, namely that upon the public stockyards?—A. That is the way the price is established at the present time, by the yards price.

Q. And shipment direct to the plant—I suppose you agree with Mr. McKenzie—puts the packer in a position of having a quantity, which may make him not quite so keen a buyer on the public market at the establishment price?—A. There is that factor entering into the case that concerns us.

Q. You being a farmer, we are very anxious to get the view of a man who does ship to the plants and who knows that when he ships the cattle are weighed by the plant, graded by the plant and the price fixed by the plant. You don't sell everything that way, do you?—A. Well, I study my market. I market most of my hogs, for instance, at Moose Jaw, and they are sold at a flat rate, 25 cents under Winnipeg.

*By Mr. Kennedy (Peace River):*

Q. At the public stockyards?—A. At Moose Jaw. I sell direct to the swift Canadian plant at Moose Jaw, but the yard hogs are the same.

*By Mr. Sommerville:*

Q. A flat rate?—A. Yes.

Q. 25 cents less than at Winnipeg?—A. Yes.

Q. What do you mean by a flat rate—not on the fixed differential?—A. Oh yes, there is a fixed differential.

Q. But your bacon hog is sold at— —A. 25 cents.

Q. —25 cents less than Winnipeg?—A. Yes, than that price.

*By the Acting Chairman:*

Q. Is there a grader there?—A. At the Swift plant or where?

Q. Where you go?—A. I have the privilege of having a government grader come to the plant if I am dissatisfied with any grade, yes.

*By Mr. Kennedy (Winnipeg):*

Q. What are your views as to the fixed differential?—A. Well, the fixed differential is put in practice—

Q. I know what it is.

MR. SOMMERVILLE: He is asking what your views are about it.

MR. KENNEDY (Winnipeg): Yes.

*By Mr. Sommerville:*

Q. Should you not be able to sell your grades on their respective merits?—A. That is a contentious point in the stockyards world throughout Canada. As a producer, I look upon it favourably, because I think it is the one point. Those of us who are in the hog game are interested in this export market, and we have been making a real attempt to raise and breed a quality product for that market. That fixed differential has impressed upon the producer as no other way or means could have done, the necessity of producing a quality product.

Q. On the other hand, you have a very large number of butchers and lights still produced that have to be marketed?—A. Quite true.

Q. And while from the breeders' standpoint it may be desirable to increase the quality of the breed, the fact remains that the farmers are producing a lot of butchers and lights and heavies?—A. Quite true. Our domestic market consumes those pretty well.

Q. The domestic market for those grades is not affected, surely, by the export market on the select bacon hogs?—A. No, but it is showing the man who gets these off-grade hogs the necessity—particularly in low prices—of producing a quality product. I think this hog game, this whole swine industry, should be looked at from a national standpoint, not from a local one.



*By Mr. Young:*

Q. Now, Mr. Wright, Mr. Sommerville gave us some figures a minute ago, showing that a certain condition arose which caused the price of hogs to go higher in Edmonton than in Winnipeg. At Edmonton you have got stockyards and packing houses. At Winnipeg you have both stockyards and packing houses. Can you tell us what would likely happen at a point where there is a packing house alone? Would there be a case like that which arose at Edmonton? I mean would the advance in price at Edmonton be reflected at a point like Regina where there is no stockyard?—A. Oh, there is a stockyard at Regina. The Co-operative have a stockyard.

Q. Is there a point where there is a packing house and no stockyard?—A. Not that I recall, Mr. Young.

Q. Coming back to Mr. Sommerville's question of a while ago, in regard to the influence of the marketing board in maintaining a continuity of flow on the British market, suppose we had a marketing board and that board discovered that we had a market for, we will say, 100,000 steers a year on the British market, and made arrangements to move that number forward. Then suppose conditions in Canada changed so that the price realized for domestic consumption here would be higher than the price realized on the British market; the impulse of our farmers, of course, would be to sell them at home for domestic consumption. Would not the marketing board be in a position to force us to sell them to the British market and take a lower price?

MR. SOMMERVILLE: That would depend upon the power your marketing board had.

MR. YOUNG: Powers the same as in the bill before the House.

The ACTING CHAIRMAN: Yes, but they have to be indemnified.

MR. YOUNG: That is to say, the board could force us to sell at a lower price on the British market, and then compensate us for the loss; that is the idea.

The ACTING CHAIRMAN: I think only if there is a surplus on our market.

MR. SOMMERVILLE: However, that is not the kind of board that is suggested by the brief.

MR. YOUNG: I was trying to get an answer to Mr. Sommerville's question, whether the board could force a continuous supply, whether we consent or not.

MR. SOMMERVILLE: I didn't suggest forcing.

MR. KENNEDY (*Peace River*): You asked, "How could the board—"

MR. SOMMERVILLE: I didn't suggest the board could force anybody.

MR. YOUNG: The question you asked was "Could not the board undertake to supply the market with continuity?"

MR. SOMMERVILLE: My question was, "Would not the board have an effect in providing for a more continuous supply?"

MR. YOUNG: Yes. I was asking Mr. Wright if it could not be done that way.

MR. SOMMERVILLE: I didn't suggest any forcing policy. I am afraid Mr. Wright didn't understand me as suggesting such. However, that is the question.

The WITNESS: I think it is quite inconsistent to attempt to force the price of agricultural commodities above the world price, and still hope to secure further world markets. I think that answers your question.

MR. YOUNG: I am quite with you in being against trying to force it. What I was trying to get at was whether the marketing board would be in a position to do as Mr. Sommerville says, to force it, the supplying of that market.

MR. SOMMERVILLE: I didn't say that. Please don't put that into my mouth. I didn't even ask if it could be forced. Mr. Wright himself has said that the board, by educational means, would be very helpful. That may be the limita-



tion of the board. But certainly the suggestion was made that it would be better than nothing in the way of regulating or directing the shipments to the old country.

Mr. YOUNG: All right, we will drop the matter at that.

Mr. FACTOR: I want to make this general observation again, as I have made it in the past. My colleagues may not agree with me, but I cannot see the sense of this committee wasting so much time on listening to briefs and representations on the marketing of live stock when, at this very moment, the House is considering a bill which fixes the whole *modus operandi* of marketing.

Mr. KENNEDY (Winnipeg): Surely there is virtue in getting the facts as they are from those directly familiar with conditions, like Mr. Wright whom we have before us, who is a prominent producer. Any facts that he can give us of his own knowledge is the best evidence that we can get, and I think it is very valuable.

Mr. FACTOR: I agree with you, Mr. Kennedy.

Mr. KENNEDY (Winnipeg): Any facts we get here will be valuable in discussion in the house on the marketing board.

Mr. FACTOR: Before we get a chance to present our views to the house, the Marketing Act may be passed and become the law of the land.

Mr. KENNEDY (Winnipeg): This information you get here may give us the necessary information for amending it. If it is concrete information dealing with an important national industry, to my mind, it is highly desirable.

Mr. FACTOR: I agree with you. But don't you think it would be advisable to hold off the Marketing Act, at least until this committee has an opportunity of forming some idea?

Mr. KENNEDY (Winnipeg): My answer to that is that unfortunately we have no control as to holding off the Marketing Act, but we have some control as to getting evidence and finding facts here.

The ACTING CHAIRMAN: I would suggest to the members of the committee that it might be better if we discuss this matter in camera.

Mr. FACTOR: I think it would be advisable to discuss it some time. I am very anxious to get the viewpoint of Mr. Wright and other witnesses, but I do feel, as I have felt on other occasions. I fail to see what sense there is in forcing legislation upon the house, and having this committee, perhaps later on, find facts which would be contrary to the legislation that will have been passed in the meantime.

Mr. SOMMERVILLE: In any event, is this not the position: Parliament has referred to this committee a certain inquiry as to the live stock marketing of Canada. We are conferring with the interests that are closest to live stock, the Departments of Agriculture of the western provinces, Mr. Wright who is interested as a producer and so on. They are making their suggestions. One has to do with the question of a marketing board. It is only one. There is a question of a fact-finding body or a marketing board. Surely we could receive that.

Mr. FACTOR: Oh, yes, I am not arguing against receiving the representations. What I am arguing about is the advisability, almost the necessity, of withholding that legislation until this committee makes a report.

Mr. SOMMERVILLE: I think that is a matter to submit to the house, and there is nothing this committee can do.

By Mr. Kennedy (Peace River):

Q. On page 7 there is a resolution recorded asking that steps be taken to develop, to its normal capacity, the consuming power of the domestic market.

What have you in mind there?—A. Well, Mr. Kennedy, that may be somewhat vague. I do not mean the advertising of beef against poultry or mutton. I realize the difficulty of any such program, that the normal stomach can consume just so much in Canada. But I do think by raising our whole purchasing power, that is by bringing farm purchasing power up to its buying capacity, that we will stimulate a demand in the industrial centres, and in that way develop a normal capacity of consuming power. That was my thought.

Q. I want to ask you a few questions about those public stockyards. I think possibly you heard the question I asked Mr. McKenzie yesterday. I notice in your recommendations that you deal with the question of applying the Live Stock and Live Stock Marketing Act to the abattoirs and packing plants. Would that not be largely a duplication of services that are now in existence in the public stockyards? What have you in mind?—A. I think it is highly necessary that shipments—the packing plants are in the stockyard business, and I think that there should be a definite control, that is in scale and weigh tickets, and the price on those scale tickets, as in the yards.

*By Mr. Sommerville:*

Q. And publication of the figures?—A. And the publication, through the department, on the stockyards of those figures.

*By Mr. Kennedy (Peace River):*

Q. Do you agree that the farmer pays all the costs between the farm and the plant?—A. Yes.

Q. If you have duplication in this way, would that not come out of the farmer? I can see the force in it if they had no present marketing facilities?—A. In this instance we are not asking that there be any charges. It will simply be a weighing, and that weighing at the stockyards now goes in, of course, as yardage. Packing houses charge yardage which I do not think they would do. I think that would be opposed to the interest they have in getting direct shipments. What we want is those figures. We want to know the price and the quality of the live stock that goes direct to the plant.

*By Mr. Young:*

Q. What do you think of the suggestion that was made this morning, that perhaps we should forbid the butchering of old cows and third-grade beef, as beef?—A. Well, all our beef supply must be consumed; and whether we like it or not, the lower grades of beef—there are some people with low purchasing power, and that beef fits their needs, it is the best that they can buy. It is unfortunate. It goes into the channels of trade. If it could be boned and canned, and a market found for it in the Orient, it would be a splendid thing. It would raise the price level of our good beef. There is no question about that.

Q. If people cannot afford to buy good beef, you think they should be allowed to buy what they can?—A. I don't see how, at the present time, you can do otherwise.

*By the Acting Chairman:*

Q. Is it true that a good many of that class of cattle recently have been sold at prices that are comparable with tank prices?—A. Yes.

The ACTING CHAIRMAN: Then why not consign them to the tank and be done with it?

Mr. YOUNG: That would not supply hungry mouths.

*By Mr. Sommerville:*

Q. Would you consider the question as to whether or not they should be sold in grades, indicating the grade of beef that is being sold?—A. Grade all cattle.



Q. Grade all beef, you mean?—A. Grade all beef. I am rather inclined to think that that would help our beef business. It would let the consumers know exactly what they are getting. Now, with the two grades of beef, there is a possibility of the retailer merchandising a low quality product for a better product.

*By Mr. Kennedy (Winnipeg):*

Q. Would grading of it stop that?—A. The consumer would then know what he or she were buying on the market. Now, with two grades, red and blue ribbon, an unscrupulous retailer may say, "I have no graded meat, but I have a quality here that is equally good."

Q. At present, does the average purchaser who goes to the butcher shop buy meat on the basis of grade, or do they just phone up and ask for a piece of meat?—A. You would be surprised how few do. Our intelligent people do, yes, but the general run that go to the shops just buy meat.

Q. Few do. That is why I asked. Would the fact that they are graded really prevent the selling of inferior meats?—A. Well, we think it has brought up the consumption in eggs in this country, by the grading of eggs.

Q. While it may be a great confession of ignorance on my part, but I have lived in Winnipeg for more than a quarter of a century, and I have never bought beef at a shop on grade. I have asked for good meat—or as the case might be?—A. Yes.

Q. I never thought of asking for red or blue ribbon?—A. Try a few steaks from red ribbon beef, and you will stay with it.

*By Mr. Young:*

Q. Now, Mr. Wright, last summer I went into the butcher shop and in the show case I saw a cut of beef marked 18 cents a pound, and only a few feet away I saw exactly the same cut at 10 cents a pound, and I asked the merchant the explanation. He said it was all in the grade of the beef. Would the ten cent stuff probably be an old cow?—A. It might have been a cow, yes, sir.

Q. I was getting what I was paying for?—A. Probably.

Q. Do you think that at any time during the last two or three years there would be any such spread between good and poor beef, on the basis of what live stock sold for on the yards?—A. Do you mean between the beef cuts priced at 18 cents and 10 cents in the store?

Q. Yes?—A. It would be quite apparent, certainly—if they were two loin cuts.

Q. And you think that with good cattle selling around 5 cents a pound, that the difference in the grade of the stock would account for such a spread as that in the butcher shop?—A. Prices of good cattle in relation to beef in the shop—there has not been that drop in the price to the consumer; he has not been affected as the producer is suffering. That is one of the grievances that we have, and hope you will correct.

Q. Do you know anything about the marketing of poultry?—A. Very little.

Q. I understand that none of that goes to the stock yards, it all goes to the plants?—A. I know that my wife takes all of her stuff to the plant direct.

The ACTING CHAIRMAN: Thank you, Mr. Wright.

The Witness was discharged.

The Hon. D. G. McKENZIE, recalled.

*By Mr. Sommerville:*

Q. There are a number of questions which members desire to have asked in reference to the brief you presented. You were suggesting that the function of this committee was to find the high lights of prices for the producer, if it



were at all possible. The question asked was this: Have you in Manitoba considered at all the placing of beef in the same category as milk, under your Public Utility Act, and thus fixing the price for beef, just as you fixed the price for milk?—A. Do you mean, whether our government has considered it?

Q. Yes?—A. Not at all.

Q. Well, is that not a problem that could be handled in that particular manner?—A. I do not think so.

Q. You think not?—A. Not at all.

Q. Why not?—A. I do not think the commodities are parallel at all, or that the problem of handling these commodities is parallel. You have a supply of milk coming to a local market, which is a very perishable product; it is not moved outside of that local market. Beef is drawn in from all over the province and moved to all parts of Canada. I do not think you could exercise anything like the same amount of control.

Q. You think that would be an insuperable problem for the Public Utilities Board?—A. To begin with, I do not see how our own Public Utilities Board would have any authority outside of Manitoba.

*By Mr. Kennedy (Winnipeg):*

Q. As far as Manitoba is concerned Greater Winnipeg would have about one-third of the total population?—A. Approximately.

Q. Now, under the Public Utilities Act you have fixed the price to the consumer and also the price to the producer for milk distributed in Greater Winnipeg; that is correct?—A. Yes.

Q. Why would it not be possible to fix in the same way the price of feed in the Greater Winnipeg area; we will say, in the same area as you have milk—not outside of Manitoba, but in the same area?—A. Well, again I have got to say I do not think the cases are parallel at all; you have several grades of meats but you have only one grade of milk—you have several foodstuffs.

Q. No, there is your milk with different percentages of butterfat?—A. I know, but the regulations demand a certain butterfat content, and it is sold as whole milk.

*By the Chairman:*

Q. Do you fix the price of cream?—A. No, we do not touch it at all. In beef you have a multiplicity of qualities according to the different grades—I should not say grades, it is not graded in the sense of government grades—in respect to beef you have all kinds of competitive food stuffs; you have pork, you have poultry, you have fish, you have eggs, and so on and so on; so that I do not think in any sense whatever that the cases are parallel.

Q. Apart from their being parallel, you would not think it desirable to attempt to fix prices?—A. Personally I think it is quite impracticable.

*By Mr. Sommerville:*

Q. Because of its being a local matter?—A. Because of its being more than a local matter.

Q. Then, do you suggest that it could be fixed on a national or an international basis—a minimum price for beef of a certain grade?—A. No, I think the question of fixing minimum prices for farm commodities that are to be sold on a national or international market is a very doubtful one from the point of view of policy; and I think almost an impossible one from the point of view of that administration.

Q. Notwithstanding the fact that we had Mr. MacLean's statement that 98 per cent of our beef products was consumed in Canada?—A. Yes, notwithstanding that.

The ACTING CHAIRMAN: Thank you, Mr. McKenzie.  
The Witness was discharged.

Mr. E. J. SMITH, Stratford, Ontario, called and sworn.

*By Mr. Sommerville:*

- Q. You represent the White Packing Company of Stratford?—A. Yes, sir.  
Q. And you are in charge of the hog department?—A. Yes.  
Q. Your company has been in the export business for a period I believe of some 30 years or more—A. Yes, sir.  
Q. And you have been associated with them for a long time?—A. Yes.  
Q. Your plant is located at Stratford?—A. Yes.  
Q. And there is no stockyard located at Stratford?—A. No.  
Q. And you buy your live stock direct?—A. Yes.  
Q. All your shipments come in direct?—A. Yes, sir.  
Q. And you have established a clientele among the farmers in the neighbourhood?—A. Yes.  
Q. Within what area do you get all your hogs?—A. The majority within 50 miles of the plant.  
Q. And how is the price that you pay for your hogs regulated—by what markets?—A. It is regulated partly by the prices we get from Great Britain each week. Our business has been recently about 50 per cent export, and we, of course, are influenced by other markets, chiefly the Toronto market—and the price being paid by other packers in that vicinity.  
Q. Yes, but the basic price is the price paid on the Toronto market, is it not?—A. Very largely the f.o.b. price that is being paid at country points.  
Q. Then you take that as the basis of the prices for your plant?—A. Yes, sir.  
Q. Then you have quite active competition in your area?—A. Very active.  
Q. Among the packers for the live stock in that area?—A. Yes, sir.  
Q. I understand there are a number of independent packers; you have plants at Kitchener?—A. Two at Kitchener and two at Hamilton.  
Q. And your own at Stratford?—A. Our own at Stratford.

*By Mr. Young:*

- Q. What effect has the British cablegram on your prices?—A. We may exceed the prices being paid f.o.b. by Toronto packers if we consider it is in our interest to buy hogs with the prospect of exporting the bacon. We are in the business to try to make a little profit, and if we think it is advantageous to buy hogs and pay a little above the Toronto price, we do so.  
Q. And if our cables are favourable, you raise your prices?—A. Yes.  
Q. And if the cables are adverse, you lower your price?—A. Yes.  
Q. Would not the British price be your basic price?—A. Not altogether, it is partially so. We follow it to some extent, but the export trade—50 per cent of our bacon will go for export, and the balance will be used domestically.

*By the Acting Chairman:*

- Q. How long is it from the time you purchase your hogs until the bacon reaches England?—A. About one month.

*By Mr. Sommerville:*

- Q. Perhaps you will give us the periodic process; from the time it is killed until it leaves your plant processed, how long is it?—A. The hogs we get in one day we kill the next day. Sometimes we kill the same day as we get them in. They are cut up ready for the cure the next day, or after they are really

cooled; and it takes about ten days for the curing process. After that time it may take from one to three days for draining before the sides are shipped for export. Practically two weeks from the time they are killed, until they are ready for export shipment.

*By the Acting Chairman:*

Q. Your cables that come in you say would influence the price; are they the cables of to-day's price of bacon in England, or are they cables of the prices that would likely be paid for bacon when it reaches there?—A. The cables come in weekly on Thursday for Canadian bacon.

Q. How can you determine the price that you are to receive for bacon a month from now; how does that determine the price you pay for hogs to-day?—A. We can't determine it, but we can tell from the advices we get whether the market is likely to be firm, or what their opinion is. It is only a matter of opinion and judgment.

*By Mr. Sommerville:*

Q. That is, on Thursdays you get the opinion of your British agents as to the likely course of the market?—A. We not only get their opinion, but we get the actual price that has been arranged by the Canadian Committee—the Committee on Canadian Bacon—stating what the official price is for Canadian bacon. I have not here the price for to-day, the price for last week was 70 shillings—their official top price.

*By the Acting Chairman:*

Q. The price of hogs has dropped considerably the last month?—A. Considerably.

Q. Is that due largely to the cables you have received?—A. It is due to a decline in the English market of 20 shillings; one week there was a drop of six shillings; the following week 4 shillings; the following week 5 shillings, and the week following that 5 shillings; a drop of 20 shillings within four weeks.

*By Mr. Sommerville:*

Q. You say that about 50 per cent of your product goes to the Old Country?—A. Yes.

Q. What proportion of the hogs that you get are selects?—A. Most of our hogs come from the Counties of Huron and Perth, which are the two counties which have the largest number of bacon and select bacon hogs in Canada. Our percentage of select bacon hogs would be about 20 per cent—these are called premium hogs, on which we pay \$1 per hog above the basic price for bacon hogs; the discount hogs are butchers, lights and heavies. We get about 7 per cent among that—showing that we get 20 per cent selects, 7 per cent discount hogs, and the balance of about 62 or 63 per cent, bacon hogs; so that we have a total of 92 per cent select and bacon that are suitable for the export trade.

Q. That is your average purchase?—A. Yes.

Q. That means you are getting a very high class of hogs in your district?—A. Yes.

Q. There are not many districts which would run anything like that average?—A. According to the government reports I do not think there are any that run equal to that.

*By Mr. Edwards:*

Q. How does that compare with the Kitchener district?—A. The same. The Kitchener Packing Houses draw a great portion of their hogs from the very same district that we cover.



Q. And a little East as well?—A. We take very few from the East to the West, that is west of Kitchener; there are some which come from midway points.

*By the Acting Chairman:*

Q. Is that government grading, or your own private grading?—A. That is government grading.

*By Mr. Sommerville:*

Q. What quantity of your select hogs are used for domestic purposes?—A. I would judge that we use about 50 per cent. About 92 or 93 per cent of that are select bacon, and we export about 50 per cent at the present time; that of course depends on the Old Country market—we may reduce our exports, especially during the summer when there is a larger domestic trade.

*By Mr. Young:*

Q. Is it only bacon you export, or do you export ham?—A. We export only a few hams at certain times of the year when we have hams cured, and there is no demand for them locally, as has been the case in the past two or three weeks, we would export the ham; but it is not our practice ordinarily to export hams, because of the demand that we have here.

Q. There is more demand here for hams, and a greater demand over there for bacon?—A. I do not think that is the case, but I know we have an exceptional demand for our specially cured hams in some of the larger centres.

*By Mr. Sommerville:*

Q. You have made a specialty of buying Canadian hams in your business, and you have a large demand for them?—A. Yes.

Q. Out of your hogs you make your Wiltshire sides from both the select, the bacons, the butchers and the lights?—A. Yes.

Q. Then they are sent over to the Old Country in the form of Wiltshire sides?—A. Yes.

Q. And the Wiltshire side consists of practically one-half of the carcass with the head removed?—A. With the head off.

Q. And trimmed; is that the description of the Wiltshire side?—A. Yes.

Q. And the prices you receive in England are affected by the weights of these Wiltshire sides; there are certain weights, are there not?—A. Weights and grades.

Q. Would you just look over that list and tell me if that is not a list of the requirements of weights and grades of the British market?—A. These are the selections and leanness of No. 1 Selection, 50 to 55 pounds; 55 to 60 pounds; 60 to 65 pounds; and 65 to 70 pounds. Perhaps the greater portion of the sides will come within these ranges. There are some at times that are less than 50 pounds, and some at times more than 70 pounds.

Q. Yes, but we will keep to this range at this time. I observe that No. 1 selection consists of four different classes, weight 50 to 55 pounds; that could be made from a light hog?—A. A light hog.

Q. And 55 to 60 pounds could be made from a select or bacon?—A. Yes.

Q. And 60 to 65 pounds from a select or bacon; and 65 to 70 pounds could be made from a bacon or a butcher hog; and 65 to 70 pounds could also be made from a heavy?—A. Yes.

Q. So that you may have in the first grade of hogs that range from 50 pounds to 70 pounds, Wiltshire sides that may be made from either selects, bacons, butchers, lights or heavies?—A. Yes, sir.

Q. Then, prices are affected by the weights of the sides, are they not?—A. To a certain extent they are.

Q. And the most desirable sizes are from 55 to 60, and 60 to 65 pounds?—A. Yes, sir.

Q. Those are the sizes that are most in demand. Is it not a fact that at times the 50 to 55 pound Wiltshire made from the light hog is in demand, and the price is as high as that of the others?—A. That is so.

Q. And that that serves a certain trade in England?—A. Yes, sir.

Q. Now, then there is a number 2 selection in the British requirements which covers a similar division of weights; is that not a fact?—A. Yes, sir.

Q. And this similar division of weights in the number 2 division can be made from the similar type of hogs I have mentioned?—A. Yes.

Q. What is the distinction between number 1 selection and number 2 selection?—A. One has been called leanest and the other lean. These are just now grade names that have been adopted within the last six months or so.

The Acting CHAIRMAN: Are they identical for Danish and British bacon?

The WITNESS: I think they are practically the same.

*By Mr. Sommerville:*

Q. The prices on this number 2 selection, or lean, I observe are the same as number 1 selection or leanest?—A. Yes, sir.

Q. So that this same condition applies to these two classes?—A. Yes.

Q. Then there is a third class divided into some four classes of weights called prime?—A. Yes.

Q. And how do you describe them?—A. We call them number 1 prime.

Q. And they are also quoted at the same prices as the other Wiltshires in number 1 and number 2 selection?—A. They are quoted the same sizes. Differentials in fat and so on.

Q. Yes?—A. Yes.

Q. Is there any distinction when you are making up your quantities of Wiltshires in sending them overseas—is there any care taken to pick out only the selects from one group and only the bacons for another and only the butchers for another?—A. There is not. We try to send over practically all bacon and select. We do not think it is advantageous to send over the sides from butchers at the present time, although in the grading of heavy hogs on the foot it is always possible that butcher hogs that may have been graded butchers, live weight, may turn out to be just a little better and may be bacon hogs when they are on the rail.

Q. Yes. Now, you put all these Wiltshires together into what are called sixes?—A. They are baled four sides to a bale.

Q. And in the one bale you may have Wiltshire from a select or from a bacon or from a butcher or from a light?—A. No. We try to have the same selection all the way through.

Q. That is the same weights?—A. The same weights. A certain selection of leanest or lean or prime—they all go together; they are not mixed with each other at all.

Q. Now, take it this way, for instance. You may have a sixty-five or seventy weight from one selection and that may contain some Wiltshires from bacons and some Wiltshires from butchers?—A. It may.

Q. In the one bale. And they are sold in that way?—A. Yes, sir. That term "butchers" does not carry through after the hogs are killed; they were butchers before they were killed.

Q. I quite appreciate that. That is to say, that the name that is given to the hogs by grade as live weights does not go through?—A. No.

Q. They lose their identity after they are killed, do they not?—A. Yes.

Q. And the differential does not exist beyond the killing?—A. No.

Q. Now, you have a very large quantity of your product that reaches the top price in England, does it not?—A. Yes.

Q. Perhaps you would be good enough to tell us whether or not it would be desirable to sell the select hogs without the fixed differential of \$1, and whether at times when the demand is for bacons for overseas you could not get more for the select than \$1?—A. We do not get any higher price in England for a select bacon hog than we do for bacon hog—that is, the side; it is according to those selections of the bacon that we get the high price, not the selection of the hog.

Q. Would it be that you might always be assured of a top price for your highest grade if you segregated the select hogs in your ship?—A. I think not. I think it depends on the market over there.

Q. And it may not be carried through?—A. No.

*By Mr. Young:*

Q. When do you get your \$1 premium on the hog back?—A. We think that the whole tendency is to produce a better hog, and the select bacon hog is lost in the process.

Q. And you have paid a dollar more for it?—A. Yes. We have paid a dollar more, and we have a larger quantity that is suitable for export, or it may be more satisfactory for domestic trade.

Q. Will you get a larger percentage of bacon out of a select than out of a bacon hog?—A. I think it is preferable.

Q. What bacon is the highest priced?

The ACTING CHAIRMAN: And you get better quality?

WITNESS: Yes, we get a better quality and better conformation.

Mr. ILSLEY: I do not see the difference between selects, bacons and butchers. If they make the same bacon you get the same price. That is the whole effect of Mr. Sommerville's question.

Mr. EDWARDS: I do not think they get the same price.

Mr. SOMMERVILLE: Yes. That is what I am coming to. As far as the quality is concerned, it may be exactly the same in select or bacon or butcher in the Wiltshire you send over?

WITNESS: It may be.

*By Mr. Sommerville:*

Q. You may send a bale with select, bacon or butcher sides—the sides that come from these animals—and they will have the same quality over there?—A. I hope I have not given the wrong impression that all butchers can be made into bacons.

Q. Oh, no.—A. There are some butchers that when killed will show they are bacon sides.

Q. And there are some bacons that when killed may show they are not bacon sides?—A. Absolutely.

*By Mr. Ilsley:*

Q. In other words, grading alive is an inaccurate way of grading?—A. Yes.

Q. But it is the best that can be done with them when they are alive?—A. Exactly.

*By Mr. Sommerville:*

Q. Now, Mr. Smith, can you tell me this: we had the statement of Mr. McLean that the price to the farmer is regulated by what the packer gets from the consumer; that he gets what he can, takes what is necessary for processing



with a reasonable profit, and the balance goes to the farmer. Will you give the committee the benefit of your views upon the theory of fixing the price?—A. I think that is the theory on which some of the packers work. Personally, I do not like it. In that district we come so closely in contact with the farmer that we feel that on his success depends ours, and if he is not getting enough for his product to pay him he will not stay in the business. And we would prefer, knowing the conditions and what the hogs cost him, to see that he gets the cost, and then try to have that as the basic price and then work out a selling price on what it costs after they get that price. We cannot always work it out, but we think the best thing is to have a satisfied farmer.

Q. Yes, in other words, you would put the farmer in the same class as the packer in getting his cost?—A. If we get a processing charge out of it that pleases us.

*By Mr. Young:*

Q. You say you would like to do it, why don't you? What prevents you from doing that?—A. We cannot sell at the price we think we ought to get.

Mr. ILSLEY: Exactly. You and Mr. McLean are in the same boat then.

*By Mr. Sommerville:*

Q. Now, I want to come to that. Who are the people that largely affect the price that you get for your product—domestically, I am talking of?—A. We do not try to sell a great deal to chain stores. They claim they can buy for so much less than our regular price to the independent store. We feel we are practically out of that business, and it is only occasionally that we can sell, when we have some surplus product and have to sacrifice it to the chain stores. We feel that our customers chiefly are the independents and that they ought to be given any consideration we can give them if they are going to stay in business and we are going to still have them for our customers.

Q. And does the chain store have a very decided effect upon the prices that are paid to the producer for his hogs?—A. I think so.

*By Mr. Young:*

Q. Does he know? You do not sell to them?—A. We cannot sell our product to the independent for two or three cents more—

Q. You sell to your customers for the same price as the chain store buys elsewhere, do you not?—A. No, we do not, but we sell it—we have to compete with the quotations of other packers to these same independent stores. We are only a small packing house and we could not supply the large quantities that these chain stores demand for their various branches that are scattered throughout the provinces.

Q. We had evidence from a witness that the discounts given to the chain stores were made up by extra charges to others?—A. That is not our policy, because we feel that the independent stores are our customers, the only customers we can depend on.

Q. Yes, but if the independent store has to pay a higher price to the packing house and then you have to compete with the packing house in selling to the independent, you do not have to sell as cheaply as the packer sells to the chain store?—A. Oh, we cannot compete with them.

The ACTING CHAIRMAN: Could you say, Mr. Smith, what percentage of the domestic trade is in the fresh meat business? Is there any great proportion?

WITNESS: I am not sure, but I do not think we have over 15 per cent.

*By Mr. Sommerville:*

Q. In fresh meat?—A. Yes, in fresh meat.

Q. And the rest would be in processed meats?—A. Yes.

Q. And you deal largely in hog products?—A. Yes.

Q. Not so largely in beef?—A. Not so largely.

Q. Following up this question about your trade with the retailers. The largest portion of your trade is done with the retailers, is it?—A. The independent retailers.

Q. What proportion would you say?—A. I would say over 90 per cent.

Q. And you find that that enables you to get a better return and to pay a better return to the farmer than to attempt to sell to the chain stores?—A. I am not sure that it enables us to pay a better price to the farmer, but considering the price we pay to the farmer and the cost of the bacon we cannot sell at lower prices, and we find that the other packers, especially the smaller packers, are on the same basis as we are ourselves and so we are competitors with them all the time.

Q. That is the smaller packers in Ontario?—A. Yes. I think the larger packers too.

Q. How many of the smaller packers are there?—A. There are four chiefly—Duff's, Freeman's of Hamilton, and Snyder's and Dumarts of Kitchener.

Mr. EDWARDS: What about Kincardine?

The WITNESS It is not operating. They have closed again.

*By Mr. Young:*

Q. Now, I did not get that quite clear. In buying hogs you do not pay any more than the big packers do. You attempt to pay about the same price?—A. We take that as the basic price. We think we pay more in some cases, but I do not think we pay very much more in the district where we are buying. That is the district where the best hogs are produced for export trade. We think that they do sometimes consider it good policy to pay a little higher price in that district than in some other districts. They are buying from there as well as the packers from Hamilton and Kitchener and ourselves.

Q. And you meet that competition?—A. We have to meet that competition or else we cannot continue to buy these hogs. We have to satisfy both the drovers and the farmers or they will not bring them in.

Q. Then in selling your bacon you have to get a little better price than their average price because it cost you a little more?—A. I think, perhaps, our costs will not be very much higher than theirs for the quality of bacon we have.

Q. Your quality is a little better; it cost you a little more, and you sell for a little more, is that it?—A. Yes. And I think we ship a larger quantity in proportion for export.

Mr. SOMMERVILLE: Of the best quality?

The WITNESS: Yes.

*By Mr. Young:*

Q. Do you get a better price on the British market than they do?—A. I do not think we always do.

Q. You would have to make up the additional price on it from the additional price you get on what you sell at home, and you make it up by selling directly to the individual trader instead of to the chain store?—A. The larger share of our business is to the individual retailer. We do not have to take lower prices for the great proportion of our product.

The ACTING CHAIRMAN: You follow the same practice as Freeman and Duff in having your agents make regular trips to the small towns?

WITNESS: Yes, sir.

*By Mr. Sommerville:*

Q. Do you have truckers who are in your service bringing hogs to the plant all the time?—A. We have not in our employ, but we have a great many truckers who are bringing their hogs exclusively to us.

Q. We have heard some evidence of some plants paying bonuses to truckers to bring in hogs. Is there any such practice in your plant?—A. We do not pay any bonuses at all, but we give the truckers an allowance for bringing the hogs in. To-day our basic price is \$7.50 for bacon hogs. Farmers who bring the hogs in themselves get 10 cents per hundredweight additional—that is if they come in just adjoining the city of Stratford, five or ten miles they get that extra allowance. Those who are regular truckers bringing their hogs will get from 15 to 40 cents per hundredweight depending on the distance they come.

Q. Then you pay the trucker's charges?—A. Yes, we pay the trucker's charges.

Mr. YOUNG: That 15 to 40 cents is not freight, is it?

WITNESS: Yes, that is freight.

Mr. YOUNG: The farmer does not pay that?

The ACTING CHAIRMAN: Is that per hundredweight?

WITNESS: Per hundredweight.

*By Mr. Young:*

Q. Do you make any allowance to the trucker for taking care that the hogs are not bruised in rough handling?—We come in contact with the truckers and try to advise them in every way possible. We try to get the truckers to bring in the farmers themselves so that they can see the grading and see the hogs killed and graded on the rail. We are fortunate in having a government grader who does a great deal of field work when he is not engaged in the plant, and he goes out to see how the farmers are breeding hogs and how they are feeding them and caring for them; and that applies, I think, to the Kitchener houses also; and that is responsible, I think, very largely for the improvement in the quality of the bacon hogs in those adjoining counties—Huron and Perth are the largest—and there is Wellington and Waterloo and the other counties around Kitchener.

Q. You do not make any monetary allowance to the trucker for careful handling?—A. No.

Q. Nothing of that nature at all.

*By Mr. Edwards:*

Q. Take the districts of Stratford and Waterloo where the packing plants are, I would like to have your opinion as to what reaction the farmers would have in that district to marketing their hogs in this way; it has been suggested here time and time again that all hogs be marketed through the stockyard. Now, I know the territory, and my own opinion is that it would be a very great hardship to those farmers to market through the stockyards?—A. They would consider such control, or such regulations, as nothing but an imposition. The idea of them or of us having to pay the freight there and the freight back and the commission charges for handling would make them feel that they were not being treated honestly or justly.

Q. That is my reaction; but I wanted you to say it.

The ACTING CHAIRMAN: What would you say if there was a stockyard in Stratford?

WITNESS: It would be impracticable when there is only one packing house to have a stockyard in Stratford.

Mr. YOUNG: And only one buyer.



*By Mr. Sommerville:*

Q. How is the farmer sure that he is getting a competitive price?—A. He knows the competitive price before he brings his stuff in, on account of the broadcasting.

Q. He has learned it from the Toronto market?—A. Yes, from the Toronto market, and from the broadcasting every day at noon. Very often the hogs are not marketed until they find out if there is any change in the price; they do not market them until they hear the broadcast price.

Q. But supposing you had a continuance of the increase in direct shipments to the plant and the dropping away of shipments to the stockyards, where would you have your competitive price established for the farmers?—A. May I ask you to repeat that?

Q. If you had a continuance of the increase in direct shipments to the plant and away from the stockyards that would undoubtedly have an effect upon the stockyards?—A. Certainly.

Q. And that effect on the stockyards would be to make the market draggy and the price depressed; is that right?—A. Yes, sir.

Q. And that would react upon, not only the hogs on the stockyard, but all the hogs in the country; is that right?—A. Yes, sir.

Q. And if you have a continuance of these shipments away from the stockyards, is not that the very thing that depreciates the value of competitive prices of the hogs to the farmer?—A. If the quantity is not going to the stockyard, the price would soon advance in that part of the country at least; they would add on 25 or 50 cents per hundredweight. They are insisting on getting their share of the good bacon hogs from Western Ontario.

Q. Who? The packers?—A. The packers in Toronto. There is very keen competition in all Western Ontario for that class of hog.

Q. Now, Mr. Smith, the suggestion has been made with respect to packing plants which are located at stockyards, that these packing plants ought to be required to buy their requirements upon the public stockyards, and thus set the price for the whole country. What do you say as to that suggestion?—A. I can't say. Those who are shipping at different points—we are only on the Canadian National, and we can't get any hogs from C.P.R. points, but we have drovers who are shipping from both points, and they ship to Toronto as well as to Stratford, and they tell us that they are getting an equal and sometimes higher price than we are quoting. I think they realize that there are some advantages in shipping to Stratford, and so they continue with their shipments from C.N.R. points.

Q. From some of these points?—A. Yes. But they say they are getting—whether these are getting it or not I don't know—but they say they are getting equal to our price and sometimes a little higher.

Q. Getting it where, on the public stockyards at Toronto?—A. Well, they are selling them through commission agents.

*By the Acting Chairman:*

Q. Do you get any of your supplies from the stockyards?—A. We don't get any.

Q. You derive them locally?—A. Yes. I know Kitchener is getting some from the stockyards now.

Q. I think the same is true of Hamilton.—A. Yes, I know it is.

*By Mr. Ilsley:*

Q. You would not be much averse to having Toronto packing plants obliged to go to the stockyards for their supplies? Well, I think that is a sort of unfair position to put you in.

Mr. SOMMERVILLE: Well, I don't know.

The WITNESS: I don't know. The men who come in contact with us tell us they are being used very well when they go direct to the plant.

Mr. ILSLEY: Exactly.

The WITNESS: I have not any other information.

*By Mr. Sommerville:*

Q. In your relationships, there is the utmost confidence between you and the farmer?—A. Unless we have that confidence we cannot get our supply and we are dependent entirely on that district for it.

Q. You have got a peculiarly good district?—A. Yes.

Q. And apparently have had happy relationships, for many years, with the farmers?—A. Yes. We cannot use all the hogs from that district.

*By Mr. Ilsley:*

Q. Do you have any understanding with each other about the price?—A. No, we have not any understanding. If we have an outlet for a larger quantity, that we are going to make a profit on, we just dig in a little bit harder. We have a limited quantity. We can use about, on an average, 1,800 to 2,000 hogs per week. That is sufficient for our little family that we have there. We only have one hundred or some employees, and we have branches elsewhere. But that one hundred employees would just have enough to do if they processed 2,000 hogs a week. We sometimes will have 3,200, but we can't do that regularly.

*By Mr. Ilsley:*

Q. In Toronto they seem to use the telephone quite a bit between the packing plants. I was wondering whether you did that in western Ontario?—A. No. We do; we are in touch with other packers. The chief thing that we do,—knowing that this is a fact finding investigation,—is this: The Toronto packers have some system of knowing what hogs we are getting before the government reports are out. They frequently—not regularly, but occasionally—will call up to find out what kind of a run we are having. They will know in three or four days anyway, so we may just as well tell them.

Q. The other plants?—A. The Toronto packers. It is not a matter of price, but it is a matter of what kind of run you are having. I think they try to get that information throughout the entire country to know what is going forward, and that helps to decide what price they are going to send out in the following week.

Q. By the word "run," you mean how many?—A. Yes, how many. The same thing applies at Kitchener and Hamilton.

*By Mr. Kennedy (Peace River):*

Q. Can you get as good a price for your bacon on the British market as Denmark?—A. No.

Q. What is the reason for that?—A. We were out of the English bacon market for quite a long time, and we have been taking the lowest price of any of the countries that have been exporting bacon to Great Britain. Even the Balkan States have been getting a higher price than we have.

*By Mr. Sommerville:*

Q. The Baltic States, you mean?—A. Yes, the Baltic States.

Q. Estonia, Lithuania and so on?—A. Yes.

*By Mr. Kennedy (Peace River):*

Q. They are nearer to the British market?—A. Yes. But they got in before we had any quantity to export.

*By Mr. Sommerville:*

Q. You mentioned the Baltic States; they are what countries?—A. Poland, Lithuania, Latvia.

Mr. KENNEDY (Winnipeg): Finland.

The WITNESS: Last week our prices were about the same. 70 shillings was the top price being paid for Baltic and Canadian. The week before their top price was 72 and ours was 70.

*By Mr. Kennedy (Peace River):*

Q. I notice here that up until May, 1933, the Canadian price was ruling just a little above the Baltic, but from June on the Baltic price was ahead of the Canadian price?—A. That is correct.

Q. What would be the reason for that change? It is not so recent as the beginning of 1933, for instance, that that situation developed in the British markets as far as Canada is concerned?—A. It started on June 3, last year.

Mr. KENNEDY (Peace River): It seems to me a strange thing that the Baltic States can beat us after about fifteen years of hog raising in this country.

*By the Acting Chairman:*

Q. Is that due to the quality or is it due to the continuity of supply?—A. I think it has a good deal to do with the continuity of supply.

Mr. SOMMERVILLE: I think, perhaps, we can have that question fully answered in a few minutes by Mr. Wilson, who is the Dominion livestock commissioner.

Mr. KENNEDY (Peace River): This continuity of supply comes up, Mr. Sommerville. It is a funny thing to me that a country that went through the European war and all the unsettled conditions arising out of it, can still beat us on the British market on bacon.

*By Mr. Young:*

Q. We had one witness here who told us that the reason was that our hog was not as good as the Danish hog, and we had another witness who said that our hog was just as good as the Danish hog but was not as well cured. He said the time it takes to get bacon across the ocean might make a difference in the quality. Would there be anything in that?—A. We find it depends a good deal on the mental attitude of the Englishman when he is selling bacon. There are times when our bacon is just as good as the Danish, but there are other times when he says the Danish—there is a demand for the Danish, and they can get a higher price for it.

Q. Will the time it takes to cross the ocean make any difference?—A. I think it makes some difference, yes.

*By Mr. Kennedy (Peace River):*

Q. I notice in this letter from the Industrial Development Bureau that the Canadian figures for 1933 are just a little lower. In 1931 and 1932 all six countries included in the Baltic, Lithuania, Estonia, Finland, Latvia and Soviet Russia, the average shipment is 234,000 hundredweight to the British market, and the Canadian is 500,000, so that that argument does not very well meet the situation, as far as I can see it?—A. It is quite possible to get a little better price in small quantities, sometimes. If they had larger quantities on the market, they might not be able to get quite that much. I don't know, however, about that. Mr. Wilson will be able to tell you.

Mr. SOMMERVILLE: Thank you, Mr. Smith.

The witness was discharged.



Mr. SOMMERVILLE: We will call Mr. Wilson. I think we can complete Mr. Wilson's evidence this evening, and get the record of the British situation cleared up.

W. A. WILSON, called and sworn.

*By Mr. Sommerville:*

Q. Mr. Wilson, what is your official position in the service?—A. Animal Products Trade Commissioner.

Q. Animal Products Trade Commissioner in England?—A. Yes.

Q. How long have you been handling the animal products branch in England?—A. I have been in the old country now for eleven years.

Q. For eleven years?—A. Yes.

Q. And connected with that service?—A. Yes.

Q. And you ought, therefore, to be somewhat familiar with the British market and British conditions?—A. Yes.

Q. Will you be good enough to just review the bacon market situation in the United Kingdom for us, please?—A. Mr. Chairman, in the first place may I say that the position of the United Kingdom bacon market, coupled with the various activities that are associated with it as a result of the British government's policy, lends itself to a wide scope of comment. In my endeavour to give you a brief description of it, I hope, my question or otherwise, if I do wander a little and get out of the field of comment that is relevant to the inquiry, I would like you to guide me. I thought in the first place it would be interesting to make some reference to the statistical position, past and present, and that it would be more fitting at the opening than in any other place. I have information in different forms. I would be glad to know just which you would like. I have it in rather detailed form, which includes and segregates all the exporting countries who are doing business with the United Kingdom, and then I have it in a form which only lists separately those countries which in a year's business, have more than 100,000 hundredweight.

Q. I would think that perhaps the latter compilation would be sufficient, because that would give us the main countries that export bacon to England, would it not?—A. It would leave out, Mr. Sommerville, all of the Baltic States that you have been just discussing.

Q. That would not do. We would like to have the Baltic States in. Perhaps you could give us the figures, not in extended form, but if you would just refer—

*By the Acting Chairman:*

Q. Would it not be possible to refer to the more important ones, and file that statement as you have it there, and it could be printed in the minutes?—A. Yes, I could do that.

*By Mr. Sommerville:*

Q. If you would do that, we would appreciate it. Give to the reporter the extended notes, and refer to the more important ones and their bearing upon the trade?—A. If I might, in view of that ruling, just give a comparison of all of these countries, stating the figures of their business with the United Kingdom for the years 1925 and 1931. I have selected those years because, in the first place, I did not have the 1932 figures when I left. The reason I have taken 1925 is because that was the peak year for Canada's business, before the decline started in our bacon exports.

## BACON AND HAM IMPORTS

(Quantities in 000 cwt.)

	1925		1931	
	Bacon	Hams	Bacon	Hams
Total.....	7,486	1,517	11,138	831
Denmark.....	3,739	1	7,339	3
U.S.A.....	1,490	1,309	198	601
Canada.....	1,267	188	50	72
Irish Free State.....	462	12	297	17
Holland.....	276	.....	1,001	.....
Sweden.....	150	.....	578	.....
Poland.....	2	.....	1,077	102
Lithuania.....	(1927) 2	.....	363	.....
Russia*.....	13	.....	29	.....
Latvia†.....	59	.....	31	.....
Estonia.....	16	.....	65	.....
Argentina.....	3	1	50	29
Other countries.....	9	6	69	6

\*Russian—Export to the United Kingdom increased to 209,000 cwt. in 1929 dropped to 50,000 in 1930

†Latvia—Volume expanded to 164,000 cwt. in 1927, 145,000 in 1928, and declined rapidly following—Germany absorbed her supplies.

*By the Acting Chairman:*

Q. Have you the totals there?—A. These are shown at the top of the table of imports just given.

Q. From just reading them, it would seem to me that a great deal more was imported in 1931 to Great Britain than in 1925?—A. Very much so, an increase from 7,000,000 to 11,000,000 cwt.

Just to clear up a matter that was discussed a moment ago, the Baltic States are Esthonia, Latvia and Lithuania. Poland and Russia, of course, are not included in the Baltic States.

*By Mr. Sommerville:*

Q. Poland and Russia are considered as separate exporting countries?—

A. Yes.

Q. The Baltic States consist of those three?—A. Yes.

*By Mr. Kennedy (Peace River):*

Q. Dealing with that, we want to hear about this bacon?—A. In those years that I have spoken of, with the tremendous increase in the imports of bacon to the United Kingdom, the competition for sales became very keen. Price consideration with the buyer over there is just the same as it is here. Consequently, the prices declined very rapidly and the only thing that saved the situation was the tremendous increase in consumption which naturally followed; but it became so acute that in 1931, the most of the bacon in the United Kingdom was selling in between 30, 35 and 42 shillings a hundredweight, which was a calamity to everybody that was exporting. Apparently it seemed to be a question of who could stand the competition longest. In any case, it became quite impossible to compete, so far as Canada was concerned, and also the United Kingdom and it was that acuteness in competition that led to the British government adopting the hog and bacon policy which is now in operation.

Actually, it became a question of competition between a foreigner on the one hand and the United Kingdom and Canada upon the other; but it is pictured clearly in the fact that Canada's dropped bacon exports from 1,267,000 cwt. in 1925 to 50,000 cwt. in 1931.

I have the figures on bacon and ham, if you care to have them.

*By Mr. Sommerville:*

Q. If you will give them to the reporter they will be taken into the record at this point.

### BACON

Imports of bacon into the United Kingdom for the three years 1931, 1932 and 1933 were:—

Country whence Consigned	1931	1932	1933
	Cwts.	Cwts.	Cwts.
Irish Free State.....	296,841	200,095	204,303
Canada.....	49,555	181,580	506,113
Australia.....	1,227	614	93
Other Empire Countries.....	358	1,342	71
Denamrk.....	7,339,195	7,670,349	5,524,497
Netherlands.....	999,900	975,573	871,950
Poland.....	1,076,610	1,135,389	783,759
Lithuania.....	362,381	512,007	415,526
Sweden.....	576,924	423,670	402,634
Estonia.....	63,386	82,032	62,978
Finland.....	35,285	38,203	50,776
Latvia.....	30,758	18,795	46,248
Soviet Union, (Russia).....	29,078	42,543	45,516
Germany.....	29,253	1,588	26,591
Norway.....	80	203	25,985
Belgium.....	.....	.....	5,501
Hungary.....	907	.....	1,970
U.S.A.....	189,027	63,807	62,931
Argentina.....	50,194	39,044	42,580
Brazil.....	10,039	2,801	3,390
Other Foreign Countries.....	1,478	1,204	1,522
Total Empire countries.....	347,981	383,631	710,580
Total Foreign countries.....	10,785,695	11,007,208	8,374,353
Total all countries.....	11,133,676	11,390,839	9,084,933

### HAMS

Imports of Hams into the United Kingdom for the three years 1931, 1932 and 1933 were:—

Country whence Consigned	1931	1932	1933
	Cwts.	Cwts.	Cwts.
Canada.....	72,488	142,867	180,639
Irish Free State.....	17,240	14,742	20,206
Australia.....	565	.....	7
Other Empire Countries.....	123	28	.....
Poland.....	102,177	117,391	74,055
Denmark.....	2,598	6,392	280
Netherlands.....	801	1,501	9
Belgium.....	126	2	.....
U.S.A.....	600,631	465,289	564,048
Argentina.....	28,571	49,601	29,824
Brazil.....	2,955	1,411	.....
Other Foreign Countries.....	2,875	2,125	415
Total Empire Countries.....	90,416	157,657	200,852
Total Foreign Countries.....	740,733	643,712	668,631
Total all countries.....	831,149	801,349	869,483



The WITNESS: The quota arrangement under the Ottawa agreement saved the situation for Canada undoubtedly, and it was at that time that we saw hope; and with the consecutive deductions in the quotas from foreign countries, that the British Government made, an opening was partially made for Canadian bacon. I have these—the successive quota deductions that have been made—which I believe would be interesting to have on record.

Mr. SOMMERVILLE: If you will give those successive quota reductions to the reporter he will insert them at this point.

#### RE QUOTA ON BACON—FOREIGN

The initial cut in foreign becon imports made by the Government of the United Kingdom under the quota scheme was approximately 15 per cent and operated as from the 23rd of November 1932. Cuts of  $2\frac{1}{2}$  per cent each were made as and from the 23rd of February, March, April, May, June and July 1933. These cuts were basic reductions subject to seasonal and other adjustments from time to time in certain cases. Further reductions followed of about 11 per cent on September 15th and of 16 per cent on November 10th, 1933. In each case after the first the percentage reductions were made on the reduced quantities permitted to be imported in the immediately preceding period.

For the five months beginning March 1934 the permitted imports will be increased  $3\frac{1}{2}$  per cent and for the succeeding five months they will be cut  $4\frac{1}{2}$  per cent below present current rates.

The United Kingdom farmers are profiting by their big industry scheme, and I would just like to mention the basis of these operations. The Pig Commission Report which was issued by a royal commission in 1932, took as a basis for the annual requirements for the United Kingdom that they estimated would bring the price to what would be remunerative to the home producer at an amount of 8,920,000 cwts., for imports; and that the home production at that time was equivalent to 1,750,000 cwts; making a total of 10,670,000 cwts. They also figured that in their scheme they would allow for a 10 per cent increase every four months in the home production, and that would be provided for by further reductions in foreign imports. The supervisory machinery of the scheme is in five bodies; they have what they call a quota advisory committee; a quota import advisory committee; a pig industry development board; a pig marketing board and a bacon marketing board; and these are the bodies that supervise the scheme and advise the government. They fixed the price of bacon on a graded basis, on feeds at a certain cost, and this price will vary as the feed cost varies.

*By the Acting Chairman:*

Q. Who fixes this price?—A. It was fixed originally in a scheme that was submitted to the government and prepared by the bacon curers and farmers themselves, and the basic price was fixed at 12. 0. per score of 20 pounds; they also fixed the variations in price for the respective grades up and down from the basic price and based on quality.

Q. And this price varies from time to time to meet changing conditions?—A. The variations are based on the variations in the price of feeds which are revived from time to time.

*By Mr. Sommerville:*

Q. And these prices were arranged between the packers and the farmers, and then submitted to and approved of by the government?—A. That is right.

Q. And when the packers by local hogs they pay on this basis from time to time?—A. That is right. So far as the "curers"—that is what they call them there—were concerned, they were not given a guarantee of any price for their bacon, but they accepted the assurance of the government that the imports

would be regulated to the extent that the price of bacon would rise in the British market, so as to leave a profit to the curer after paying the agreed prices to the farmer.

Q. And the object of that was to keep the price of the home-produced bacon up over the price paid for bacon from other countries?—A. The British bacon—that is the English bacon—is usually (I am speaking now of the official price, that is the only basis upon which I can go) listed at the top—it sells for more money than any other bacon. The pig and bacon has worked very well, although for the first few months of the contract period, the curer did not realize a profit, and arrangements were made that a government loan to be repaid in 2 years would be given to them to cover their estimated losses.

Q. No provision on prices for import bacon?—A. No, none whatever.

*By Mr. Sommerville:*

Q. No governmental provision, there is a provision by the trade?—A. It is on a competitive basis pure and simple.

*By the Acting Chairman:*

Q. Supply is governed, that is what I want to get at?—A. Imports from all foreign countries are regulated.

The ACTING CHAIRMAN: On what basis is that determined, that is what I want to know.

MR. SOMMERVILLE: Mr. Wilson is going to give you the details on that.

The WITNESS: I would like to give you a review of the general bacon market. For several years the market has actually been over-supplied with bacon. That was indicated by the very low price it had reached in 1931, when the British government first considered the quota policy. May I say this first: that when the quota in one sense was made for Canada under the Ottawa agreement at 2,500,000 cwts. annually, the trade did not take it seriously because they knew our past record, of being in and out of the market and they took it for granted that our hog industry was declining. They do not take that view now, they realize Canada can produce hogs, ship bacon, and become a competitor. Our shipments increased very rapidly and we went on to a market that was already over supplied with bacon. No one can get into the British market, or any market for that matter, but more particularly the British market, without paying the price; and particularly when the market is full and you are trying to get in. In England that was more pronounced because of the rapid increase in our export volume. I might explain that insofar as the wide differential in prices that you referred to in Mr. Smith's case. It developed into what you might call "forced" selling. Broadly stated there are two classes of producers—viz, order customers and outright buyers. Getting into the market with a big supply in a short time, it is the latter class with whom the selling effort is chiefly pressed but the order customers are never neglected.

Q. The outright buyer, as against the order buyer?—A. We had very few order buyers when the increase in our exports commenced because we did not have the supply of bacon coming forward. Secondly, it was a hard job for the agents of Canadian bacon to dispose of these supplies in a market already filled; and where the price normally ruling in 1931 was about 4 shillings underneath the Danish price, that differential gradually widened until at one period we were about 16 shillings under the Danish price. It has been improved, fortunately. When I left London our bacon price was only 8 shillings under the Danish price. There are several reasons in explanation of that. First might I mention that the buyers commenced to realize that Canada was going to be a factor in the bacon trade. They also next realized that the bacon from the foreign countries which they had been purchasing regularly was being cut down consistently by



the British government, and that their regular weekly supply might not be forthcoming, so they gave more attention to the Canadian bacon.

The standard of quality of bacon in the United Kingdom is higher than it ever was, as these new continental suppliers have developed their volume considerably since 1925, and have concentrated on the development of uniformity in bacon in all respects, both with respect to type of side, trim and cure; and they have succeeded marvellously. It was their only hope. Our greater volume—in that respect had very severe competition. Referring to Canadian bacon itself, and relating to its quality. The exports expanded so rapidly that it was inevitable the variation in types of side, trim and general quality would be wider. I presume too it was only human that each Canadian exporter was anxious, in the changed relative positions of foreign import bacon, to develop his clientele in the Old Country as rapidly as possible, with a view to bettering his selling connection in the future; and that may have led to leniency in shipping qualities of bacon such as were described by Mr. Smith this afternoon. Might I also mention, that there were several Canadian packing houses who started to export bacon as well, and not being familiar with conditions in the United Kingdom, they had something to learn. Within the short period of from eight to fifteen months in which these respective new shippers have been sending forward their bacon, they have made very nice progress in improving its quality.

*By the Acting Chairman:*

Q. Has the fact that a certain amount of inferior bacon has gone over there destroyed to any extent the reputation of Canadian bacon?—A. It has affected it, there is no doubt about that; because, quite irrespective of merits of particular brands, all our bacon is looked on as Canadian bacon, and the higher the percentage is of shall we say number 2 bacon—because some of it goes over—and the greater the irregularity in the type of sides, the greater will be the depressing effect upon Canadian bacon prices. There are some exceptions among buyers. They know that particular brands are satisfactory to their trade—they disregard the position relating to the general quality and they take their supplies from the selections that are giving satisfaction, but the official price governs their payments.

I think that describes the situation pretty well in general; perhaps you would now like to have me particularize with respect to methods of sale—

Q. Yes, that is what we would like to have you do. First of all, the bacon that reaches England is shipped green, or cured?—A. Yes.

Q. And it is sold to the curer?—A. Yes.

Q. And is marketed by them?—A. Yes.

Q. I think that describes adequately the procedure in selling. Now then, the method of arriving at prices and the governing bodies?—A. Broadly stated, as already mentioned, there are two groups of buyers; what are described as order buyers, and those who purchase outright. The order buyers give their weekly volume requirements to their respective customers, with the understanding that the price paid will be the official price. I am talking of London now, because that is the big Wiltshire market. The official price is fixed by a committee of the exchange on Thursday of every week; and that price covers the purchases for the preceding week, not the following week.

Q. Yes, the current week?—A. Let me say, the seven days before the Thursday—we will make it quite clear.

Q. That price governs the seven days before the Thursday on which the price is fixed?—A. That is right. The order customers do most of their business that way.

Q. The order customers are those who order their supplies regularly, consistently and continuously from commission houses?—A. That is right.



Q. And these are regular orders from the commission houses, billed from week to week?—A. That is right.

Q. With great regularity, and they ship as the product comes in each week to the order house, the requirements of the order house?—A. That is right.

Q. On the basis of the price to be fixed on the Thursday following the date of shipment to the order house?—A. That is right. The other class of customers bargain for their bacon and buy it at the best price they can, and pay for it at the time, irrespective of what the official Thursday price may be.

Q. And the order buyer forms the bulk of the trade?—A. I would say yes, but I would say that the order customers may vary the volume of their orders any week, depending on the trend or prospect of British market price. If they think the market is going down they will probably only give half their order at the beginning of the week, and if they think the market is going up, they may buy more freely; there is some variation in this respect in the order customers.

For the purposes of fixing the official price on the London Provision exchange, there is a committee for each exporting country and the number sitting on it varies with the respective countries, determined mostly by the respective volume—from two to ten in number. The price is calculated on the basis of sales which have been made by these men who sit on the committee, to buyers who purchase outright. They have their invoices of sales thus made and these determine the basis of a frank discussion. The system has been in operation for so many years that a degree of confidence has now been established and a member's statement of sale is accepted. As a result of these meetings every Thursday agreement is reached on prices for the week for Canadian bacon, by a Canadian committee, for Danish by a Danish committee, and for Swedish by a Swedish committee, and so on.

Q. And the men who sit on these committees are the commission agents who represent the Canadian firms in the case of Canada?—A. Plus one or two buyers, as the case may be, on the various committees, for instance, on the Canadian committee you might possibly have four commission agents and two buyers.

Q. The large buyers?—A. Yes, buyers always sit in with the commission agents on all these committees.

Q. And then in arriving at the prices they take into consideration the prices that have been paid by cash buyers during the week?—A. That is right.

Q. And fix the price that should be charged to the order buyers for that same week?—A. That is it, and that is what is termed the official price.

Q. The price arrived at is known as the official price?—A. Yes, and those are the prices that are published and reported in the press and in this country.

Q. And these prices vary according to weights?—A. Yes, there are other conditions that enter into it, but weight has a bearing on it. The description of bacon, I think that is what you are referring to?

Q. Yes, I want to get a description of bacon?—A. The description of bacon as used in the trade and on the exchange are these: light sizable, which means bacon—Wiltshire's—weighing 51 to 55 pounds; sizeable weighing 56 to 65 pounds per side; heavy, weighing 66 to 75 pounds per side; heavies, weighing 76 pounds and over.

Q. Per side?—A. Yes. There is also the term "sixes" which relates to weights of 49 pounds per side and under. In offering sixes to the trade the description is given in weights of 5 pounds; that is, forty to forty-five pounds and so on.

Q. And that is what is called sixes?—A. Yes. The term sixes is used because they are usually packed in bales of six.

Q. Six sides in the bale?—A. Yes.

Q. And otherwise, the other sides which you have mentioned are packed four to the bale?—A. Yes, in weights from 50 to 55 pounds up to 66 to 75

pounds; they are offered as No. 1, No. 2 and No. 3 bacon; except in Irish which are described differently.

Q. We do not want to get into Irish descriptions?—A. These grades are not determined in the United Kingdom. Every exporting country ships its ones or twos, and the shippers in the exporting countries do the classifying. They have their official classifications and descriptions of these grades. They are not uniform, but made to fit the conditions in the respective countries, the method of supervision of the classification and the grading also varies. I have not got the details of this, Mr. Chairman. I do not think it is material and it is rather complicated.

Q. But in Canada, the definition of grades has been set out in order-in-council P.C. 1901 of September 16, 1933?—A. That is right.

Q. And are to be found in this statement from the Minister of Agriculture?—A. Yes, I believe that came into operation on the 5th March this year.

Under and by virtue of authority conferred upon me by the regulations governing the grading, marking and sale of bacon for export to Great Britain as established by Order in Council P.C. 1901 of September 16, 1933, under the provisions of Section 4 of the Live Stock and Live Stock Products Act, Chapter 120 of the Revised Statutes of Canada, 1927, I do hereby define the grades, and also the specifications of back fat covering for the various standard selections within each grade, as required under Section 4 of the said regulations, as follows:—

#### DEFINITION OF GRADES

##### Grade "A"

(a) Possess balance, bearing a good proportion of lean to fat, of meat to bone, well shaped with fore-end not out of proportion to the side, with streak reasonably thick, and with full tapering ham, and the quality and texture of the fat must be firm to the touch.

(b) Be neatly butchered and trimmed, presenting a clean cut bright appearance, and must be reasonably free from scratches, bruises, or blemishes of any kind.

(c) The cure shall indicate freshness of flavour, and the necessary mildness of cure to indicate a satisfactory condition upon arrival in United Kingdom.

##### Grade "B"

(a) Shall be of good quality but may include sides which have imperfections in conformation and type.

(b) Be neatly butchered and trimmed and free from serious bruises.

(c) The cure shall indicate freshness of flavour and mildness necessary to good condition upon arrival in the United Kingdom.

(d) This grade shall not contain soft, oily or very thin sides.

##### Grade "C"

All bacon not eligible to be placed in Grade A or Grade B.

#### BACK FAT MEASUREMENTS

##### No. 1 SELECTION OR LEANEST

	Shoulder	Middle of Loin
50/55..	1 $\frac{1}{4}$ "	1 $\frac{1}{4}$ "
55/60..	2 "	1 $\frac{1}{4}$ "
60/65..	2 "	1 $\frac{1}{4}$ "
65/70..	2 $\frac{1}{4}$ "	1 $\frac{1}{2}$ "

##### No. 2 SELECTION OR LEAN

50/55..	2 "	1 $\frac{1}{4}$ "
55/60..	2 $\frac{1}{4}$ "	1 $\frac{1}{4}$ "
60/65..	2 $\frac{1}{4}$ "	1 $\frac{1}{4}$ "
65/70..	2 $\frac{1}{4}$ "	1 $\frac{1}{2}$ "

##### No. 3 SELECTION OR PRIME

50/55..	2 $\frac{1}{4}$ "	2 "
55/60..	2 $\frac{1}{4}$ "	2 "
60/65..	2 $\frac{3}{4}$ "	2 "
65/70..	2 $\frac{3}{4}$ "	2 $\frac{1}{4}$ "



"Shoulder" measurements are to be taken just behind the thickest point of fat on the shoulder and at a point above the first rib.

The "middle of loin" measurement is to be taken at a point above the last rib.

These measurements at shoulder and loin are maximum measurements and as a rule should not be exceeded.

(Sgd) H. BARTON,  
*For Minister of Agriculture.*

Dated at Ottawa, Canada, this 19th day of February, one thousand nine hundred and thirty-four.

So that it is the exporting country that determines the volume of No. 1 and No. 2 grades that will go in these various weights that I have just read out, and that is accepted by the trade in the offerings from the various importing commission agents. Yes, are there any points on which you would like to question me, Mr. Sommerville?

Q. I was just going to ask you, in arriving at the question of price for Canadian bacon is that because we are making our way into a market in which there are already established national customers, our price is not necessarily a reflection on quality?—A. Quite definitely, yes.

Q. Our quality may be quite as good as the Danish quality, but because we are trying to break into that market, we have got to break into it on a price basis?—A. That is quite right.

Q. That is the situation?—A. That is quite right, yes.

Q. Until we have a continuity of supply and have established ourselves in that market, the differential is likely to exist?—A. There will be a differential, yes; but I believe that it will be narrower than it has been.

Q. Yes, I understand that was reflected some years ago in the Dutch situation?—A. Yes.

Q. The Dutch were shipping fresh pork into England, and had a large trade, and then when that was shut off, they turned it into bacon?—A. Yes.

Q. And they eventually got into the British market?—A. Yes.

Q. And when they were trying to get into the British market with a fine quality bacon they found they had to take a differential of as much as 20 shillings below the Danish bacon?—A. Quite right.

Q. That is the same experience that we are going through?—A. That is the same experience that we are going through.

*By Mr. Kennedy (Peace River):*

Q. I find that in January, 1932, the Canadian bacon price was 53 shillings and Dutch 44 shillings 6 pence?—A. What date was that?

Q. January 1932—a differential of 6s. 3d.?—A. Yes.

Q. And when we get down to April, 1933, the Canadian price is 62s. per hundredweight and the Dutch price is 63s. 6d.?—A. Yes.

Q. When was this change in shipping from Holland from fresh pork to cured bacon made?—A. That was in 1925, because of an outbreak of food-and-mouth disease which was traced to a side of Dutch bacon.

Q. The point I am making is this: we had a position in 1932 which was a little better than the Dutch according to these figures, and yet we dropped off; and I do not see that your explanation really explains that because of the increase in Canadian shipments which has taken place. You do say, however, that there was some question with regard to quality of some of the shipments from Canada since the Ottawa agreements, and that, of course, has reflected back on the whole price of hogs sold in the Dominion of Canada 100 per cent?—A. It is reflected in the price of Canadian bacon on the other side.



Q. Yes, and I think we will benefit from this regulation of the grades of bacon allowed to go forward?—A. I think a start has been made in the right direction, so far as I see it.

*By Mr. Sommerville:*

Q. That is to say, the regulations which came into effect on the 5th March last require an inspection of the quality going forward?—A. Yes.

Q. And that is a step in the right direction?—A. Yes.

Q. If it protects quality and uniformity it will, you think, improve the position of Canadian bacon on the British market?—A. It will be a beginning of an improvement undoubtedly.

Q. Now, would you like in a few minutes to give us a statement of the cattle situation.

*By Mr. Edwards:*

Q. I understood the head of Canada Packers, in his evidence here, made the statement that a slight improvement in the quality of Canadian bacon would have put \$12,000,000 additional into the pockets of Canadian farmers on the basis of shipments of 1933—what would you say as to that?—A. I am afraid I cannot confirm the figures definitely, but in principle he is right, and it is borne out in the fact that at the present time, at least when I left London, the differential in price was only 8s. a cwt., as compared with the Danish bacon, and 8 months ago it was 16s. a cwt.; there is a saving of 8s. a cwt.

Q. I think Mr. Maclean brought that out, I was just wondering what you would think of that part of it?—A. I can't verify his figures, but the statement in principle is correct.

*By Mr. Sommerville:*

Q. But your observations are that the quota did save the situation; without the quota we could not have remained on the British market?—A. Without the quota we would have been out of the market entirely.

Q. Now, Mr. Wilson, can you give us in a few minutes the cattle situation?—A. Is there any kind of a lead you could give me on that as to just what you want?

Mr. KENNEDY (*Peace River*): The livestock people are asking for an increase in the quota, he might discuss that.

*By Mr. Sommerville:*

Q. I suppose you do not know just whether we are going to get that or not?—A. I do know the situation up to the time I left London; but I think that is something we should not discuss in this committee.

Q. What is the position of our cattle going on to the British market?—A. In a general way, Canadian cattle are held in very high regard from the health standpoint, it is recognized by those who know—the butchers—that there are no cattle to compare with them. They judge them and make that statement on the basis of condemnations of offal; and it is infinitesimal in Canadian cattle. It has been stated to me by an authority who was in a position to know that actual tests over a considerable period by members of the Meat Trade Federation showed losses in condemnation in offal of less than one-half of one per cent.

Q. And is that a remarkable showing?—A. There is nothing to compare with it.

Q. There is nothing to compare with it on the English market?—A. None whatever.

Q. What do you say as to the statement that last year grades were shipped which were not properly fitted for the British market and should not have been allowed to go there?—A. I have not in mind that our cattle should be graded for the Old Country market, because of the variety of the demand in various parts of the United Kingdom which is such that I am prepared to say at the moment that the grading of cattle would be impossible; but what I have in mind is that there is a small percentage of what I call "roughs," which are not beneficial to allow into the trade in the Old Country. We would profit if we had some authority in this country to say, I am sorry, you can't load that animal—there are no figures to show the percentage of those that have been shipped; but from what I have seen, and I have seen many cattle steamers arrive, I would say that the percentage would be under 5; and the elimination of that 5 per cent of rough cattle would not harm anybody on this side and the benefit to our trade on the other side would be out of all proportion to any loss that might be experienced by a producer or shipper.

*By Mr. Kennedy (Peace River):*

Q. Do you refer to feeder cattle, or to cattle for slaughter?—A. They may have been loaded as feeder cattle; certainly they were not fit for the butcher—but they were not feeders, because most of these rough cattle are aged animals; I should like to make it very clear—that aged animals or 3-year olds and upwards are not store beasts and there is no trade for such among the farmers. Whether or not they are suitable for slaughter, that is the only outlet.

Q. What type of cattle do they like there?—A. Two-year olds, or better still what they term two-teeth cattle, but they are rather light for us to ship in great numbers, although more of these are being shipped each year. Good two-year olds fit the trade very well, and are acceptable to feeders. Nine hundredweight is about right. There is a trade among butchers for the heavier cattle up to, I should say, from 15 to 20 per cent per steamer and anything from 1,100 even up to 1,300 sent of the right type, of course. I am thinking of the low set solid animal that has plenty of back and hind quarter meat.

*By Mr. Sommerville:*

Q. You think there should be somebody who would be able to say that 15 or 20 per cent of each shipment should be heavy cattle and the balance feeders, and cut out the rest?—A. No. I would leave the percentage of heavies and medium weights to the normal development of the trade, leave that undisturbed, but just prohibit the loading of the few animals that are too old and too rough. The percentage is small.

*By Mr. Kennedy (Peace River):*

Q. Is there any prejudice against our grades of cattle—the different breeds?—A. Of course, in Scotland there is a prejudice against the Herefords.

Q. Why is that?—A. Because the black animal is popular, the black Angus.

Q. Is there any tendency to overcome that prejudice as they get experience?—A. Yes, there are certain feeders in Scotland now who buy the Herefords with far less hesitation, but, at the same time, they will not pay the price they would pay for black animals of similar age and conformation. When you get to Birkenhead which is our big market, there is not any prejudice against the Hereford.

*By Mr. Sommerville:*

Q. Hereford cattle are taken freely in England?—A. Yes, in England.

The ACTING CHAIRMAN: But it is not so popular in Scotland, is that it?

The WITNESS: Yes.

Mr. KENNEDY (*Peace River*): The Scotsman likes the blue cattle—a cross between the Angus and the Shorthorn, does he not?

The WITNESS: Some of them like the blue, but the black is the description.

*By Mr. Sommerville:*

Q. Where does our chief competition come from?—A. Our chief competition comes from chilled and frozen meat, particularly frozen meat.

Q. From the Argentine?—A. Chilled meat from the Argentine, and frozen meat from the two southern Dominions—frozen meat also come from Uruguay and a small percentage from Argentine.

Mr. KENNEDY (*Peace River*): Is the Argentine trade in chilled meat?

The WITNESS: Mostly chilled.

The ACTING CHAIRMAN: What about competition in live animals from Ireland?

The WITNESS: Ireland is the only other country that ships live cattle, and I have never looked upon competition from Irish or English cattle as being comparable in severity with chilled and frozen beef. Generally speaking the price of frozen meat is about one-third that of the fresh meat.

*By Mr. Sommerville:*

Q. And there has been a large increase in shipments?—A. A tremendous increase. We shipped 52,000 head of cattle last year; New Zealand shipped about 40,000 cattle (frozen carcasses) more than we did. Australia shipped over 200,000 frozen carcasses more than we did—of live animals.

*By Mr. Young:*

Q. And that sells for about one-third the price of chilled?—A. That is about the difference in the selling price.

Q. And the chilled sells for what fraction of the price of live cattle?—A. From two-thirds to three-quarters of the fresh meat price. For nine months of last year the Argentine shipped twice as many cattle (chilled carcasses) as we shipped of live animals for the year.

Q. I am told that Argentine beef is very popular over there?—A. From the standpoint of a beautiful picture in neatness, uniformity and proper conformation the beef the Argentine have in Smithfield market is the nicest I have ever seen in my experience. They breed the right type of animal and they ship the weights that are wanted.

The ACTING CHAIRMAN: Are they largely Shorthorn?

The WITNESS: They have Shorthorn, Angus and Herefords.

Mr. YOUNG: That sells 15 per cent below?

The WITNESS: Generally about  $\frac{2}{3}$  to  $\frac{3}{4}$  less. It will vary. If we are shipping chilled beef we should only ship that which is comparable to the Argentine supply, otherwise forget it. That means it has to be selected from the best animals in this country, and these are the animals that will bring more on the hoof than any others we can sell.

Mr. YOUNG: Is it preferable to ship our live animals?

The WITNESS: We can ship the same class of animals and make more on the hoof than by shipping it chilled.

Mr. SOMMERVILLE: What are the prospects for our trade in beef, mutton and lamb?

The WITNESS: Until the Ottawa agreements expire with the southern Dominions the position as I see it is not likely to improve materially, because the increase from those two Dominions has, to a very great extent, taken up the



volume that has been cut off the Argentine; and that has been unfortunate in this respect, that the beef that sells at the higher price has been replaced by the beef that sells at the lower price. These agreements expire in June and the revision of the quotas will be subject to discussion. I imagine with the condition of the Old Country market at the present time, that prices will probably have to improve.

Mr. SOMMERVILLE: Prices of cattle—

The WITNESS: —will have to improve.

*By Mr. Kennedy* (Peace River):

Q. Is there any preference amongst the butchers in the Old Country regarding the various breeds of cattle?—A. The butchers? The preference I have stated, so far as Scotland is concerned, is wholly dictated by the butchers.

Q. What about England?—A. Well, certain markets in England in the midlands, for instance, they will take an animal in a condition of flesh that is not acceptable in Scotland and they will pay better prices .

The Committee adjourned to meet Tuesday, April 24, at 11 a.m.

HOUSE OF COMMONS, Room 368,

April 24, 1934.

The special committee appointed to inquire into price spreads and mass buying met at 11 o'clock a.m., Hon. H. H. Stevens, presiding.

Mr. Norman Sommerville, K.C., of Toronto, and Mr. W. W. Parry, K.C., of Toronto, appeared as counsel for the committee.

The CHAIRMAN: Order, gentlemen. The minutes of the last meeting indicate only the witnesses called and heard and certain communications filed. Unless there are some questions we will declare the minutes approved.

Mr. YOUNG: Before you proceed, I would like to refer to Mr. Buckle's evidence the other day, and I find that the chart he submitted has not been submitted in evidence and the evidence, as a result, is difficult to follow without the chart.

The CHAIRMAN: That was the second witness with charts?

Mr. YOUNG: Yes.

The CHAIRMAN: The difficulty was, I think, that all he had was a blueprint.

Mr. YOUNG: There was a chart of the Searle Grain Co., showing the trend of prices, and you were going to bring Dr. Coats here.

The CHAIRMAN: Oh, yes, I did not recall for a moment which chart you referred to. It will take some little time for checking and verifying.

Mr. YOUNG: But in the meantime Mr. Buckle's evidence is published and the chart is not there; it does not make sense; you cannot follow the evidence without it.

The CHAIRMAN: That is too bad. The only thing we can do is to print the chart as a supplement to that evidence, and we will do that.

Now, before the first witness is called a suggestion has been made by counsel for the committee that it would, perhaps, save a great deal of time if certain extracts from the report that was tabled on the investigation by Mr. Donald Sutherland into the tobacco business might be read, which would, shall I say, form a background to the evidence which will be submitted later, and the members of the committee could have the matter in their minds.

Mr. SOMMERVILLE: Mr. Chairman, I am filing first, in order that the tobacco situation may be before the members of the committee, a copy of the report of the Tobacco Enquiry Commission in the province of Quebec and Ontario, conducted in the year 1928 by a commission consisting of Mr. E. S. Archibald, director of the Dominion Experimental Farms, chairman, Mr. E. P. Tellier, Belle River, Ontario, and Mr. H. B. Archibald, manager of the Cooper Leaf Tobacco Company of Wallaceburg, Ontario, as an exhibit.

(Report filed, marked Exhibit 103.)

Then, in order that the information contained in that report may be brought up to date, I am filing with the members of the committee, as an exhibit, the report of the sub-committee on marketing and related problems—Mr. T. G. Major, Department of Agriculture, chairman, Mr. N. D. Sommerset, Ontario,

a member, Professor A. Leitch, a member, and Mr. Blake, Cohoe. This is a statement entitled "Development in the Tobacco Producing Industry of Canada from 1928 to 1934."

(Report filed, marked Exhibit 104.)

I am also filing as an exhibit the statistics relative to the Canadian Tobacco industry compiled by the Tobacco Division of the Department of Agriculture of Ottawa, February 12, 1934.

(Statistics filed, marked Exhibit 105.)

These three documents will give the information with respect to the present position of the tobacco industry in the Dominion of Canada.

Mr. FACTOR: All these documents appertain more or less to the growing of tobacco?

Mr. SOMMERVILLE: Yes.

Mr. FACTOR: They do not touch any of the other sides—the manufacturing or distributing of the product?

Mr. SOMMERVILLE: No, it has nothing to do with them, save only that it shows the domestic consumption and the export and also the import trade—the amount the National Revenue received from the product and, generally, the trend in various varieties of tobacco grown in the country. We have already had filed the report of Mr. Sutherland, and I think that was given the exhibit number, 100—"Investigation into an Alleged Combine of Tobacco Manufacturers and other buyers of raw leaf tobacco in the province of Ontario." The report is dated March 4, 1933. It was submitted to the Minister of Labour on that date by Mr. F. A. McGregor, registrar of the Combines Investigation Act, who forwards the report of the Commissioner, Mr. Donald Sutherland, and in forwarding the report to Hon. Mr. Gordon, which report was later filed in the House, Mr. McGregor, in his letter of the 4th of March, says, "I am in accord with the statements of fact expressed in the attached report and substantially in accord with its opinions."

At page 7 of the report, under the heading "Expansion of the Tobacco Industry," Mr. Sutherland says:—

The growing of tobacco in Canada dates back to an early period when United Empire Loyalists, who settled in Canada after the American Revolution, brought tobacco seed with them from the United States. Records show that there were shipments of tobacco from Essex County, Ontario, shortly after the war of 1812. In 1871, 399,870 pounds of tobacco were grown in Ontario, and 1,195,345 pounds in Quebec. Production continued to expand slowly until in 1901 a total of 11,267,000 pounds was grown in Canada, while in 1911 the crop amounted to 17,632,000 pounds. In 1931, the production of tobacco in Canada reached the figure of 51,300,000 pounds, of which Ontario contributed 44,770,000 pounds.

Various types of tobacco have been successfully grown in Ontario. In 1927 and 1928, the Dark Fire and Burley varieties constituted the main part of the crop. Since then, the flue-cured, otherwise known as Virginia or Bright Southern, tobacco has been in the greatest demand. This type is used chiefly in the manufacture of cigarettes and the general increase in the consumption of cigarettes is accountable, to a large extent, for the increase in the demand for the flue-cured tobacco.

The soil in what is known as the Norfolk district of Ontario is peculiarly adapted to the growing of flue-cured tobacco, and to this district, sometimes termed the New Belt, may be attributed the marked increase, in recent years, in the production of tobacco in Ontario. For some years past the acreage devoted to flue-cured tobacco has been steadily increased. 1929 and 1930 were



extremely dry years so that the increase in acreage was not reflected in the total yield. 1931 was an almost perfect growing season, which, combined with a further increase in acreage, resulted in an increase in the total yield of about one hundred per cent. The total yields of Ontario flue-cured tobacco for the above mentioned years are as follows: 1929, 10,500,000 pounds; 1930, 12,396,400 pounds; 1931, 24,500,000 pounds. As a result of the size of the crop there was a small surplus of low grade tobacco at the end of the buying season, and prices for the year were down approximately twenty-five per cent from those of the preceding year. In 1932 growing conditions were again ideal and there was another slight increase in acreage. The result was a crop of first class quality and a total yield which is estimated at about 29,000,000 pounds.

At this stage prices of flue-cured tobacco in Ontario were reaching a level at which the British market was becoming interested. In the three years prior to 1932 the United Kingdom is said to have increased its imports of Ontario flue-cured tobacco from 500,000 pounds to 5,500,000 pounds. This increase was due to the reduced price and to the preference granted on the British market to Canadian tobacco over that imported from countries outside the Empire. From the Canadian point of view the United Kingdom is the greatest present and potential market for raw leaf tobacco. Although the domestic market constitutes at present the principal outlet for Canadian leaf, the stabilizing effect of an export market appears necessary.

*Situation Preceding Application for Investigation.*—Information obtained during the course of this inquiry as to certain conditions which prevailed before application was made for an investigation may convey some idea of the feeling of suspicion which was general and widespread among tobacco growers at that time.

The rapid growth and development of the tobacco industry in Ontario has, apparently, far outstripped the obsolete and antiquated method of marketing tobacco, still practised under what is termed the "barn buying" system. This method was employed in a number of countries when the tobacco industry was in its primitive stage in those countries. While tobacco growing was a comparatively minor industry in Canada, and the total production was used for domestic purposes by one or two companies, the system fulfilled all requirements. In recent years the barn buying method of marketing tobacco has outlived its usefulness and has proved unsatisfactory to growers and to the majority of purchasers. In the words of an official of one Canadian tobacco company, "No other system lends itself to so much malpractice." Under the barn buying method, as practised in Ontario, the leaf purchasing organizations of the various companies maintain staffs of trained buyers, or field men as they are sometimes called, who inspect the crops of the individual growers several times during the growing season, during harvesting and while the crop is being cured. When buying commences, the buyers have these records to assist them in estimating the quality of the crop when stored in the barns. When purchasing tobacco in this way the usual procedure is to offer the grower a price per pound for his entire crop with the stipulation that all undesirable tobacco, green, black, burnt, frosted or otherwise damaged, must be excluded. Buyers frequently make an offer with the provision that a lower price be paid for tobacco of inferior grade that is contained in the crop.

One company in Ontario buys a large part of its tobacco under contract. (See section of this report re Consolidated Leaf Tobacco Company, Limited.) The grower contracts to sell his tobacco to this company at prices listed on the contract which are based on the grading of the crop as determined by the company. A relatively small proportion of the Ontario crop is handled in this way.

The accepted custom for a number of years has been that all the buyers waited for one of the largest companies to open the market. In 1931 the market was opened by the Imperial Tobacco Company of Canada on October 6, and in 1930 the same company opened the market on the same date, October 6. The opening price in 1930 was forty cents per pound, and in 1931 thirty cents per pound. These were top prices, offered for the best quality of tobacco, and, as would be expected, the best crops were bought first. Should an offer be refused, the almost invariable practice, up to 1932, has been that succeeding offers for that crop were lower than the original offer. This practice was innovated by the Imperial Tobacco Company of Canada, and was used as, what has been termed, a big stick to keep the growers in a position whereby that company could more readily obtain the tobacco for its requirements and thus shorten the period of time spent in purchasing tobacco. Other companies have taken advantage of the effect produced by this system. There appears to have been a fairly common practice among buyers of informing the growers that "the offer was off as soon as the buyer left the premises." This threat was usually carried out, and became so well known among growers that it was generally deemed advisable to accept the first offer made.

The opening of the Ontario market for the purchase of the 1932 crop of flue-cured tobacco took place on October 26, about three weeks later than was the case in the two preceding years. Improved methods of growing, particularly the process of priming the leaves instead of the practice followed in previous years of cutting or splitting the stalk, resulted in the crop being ready for sale ten days to two weeks earlier than in the past. (This estimate was made by Mr. H. P. Buell, of the Imperial Tobacco Company of Canada in a letter to Mr. R. C. Harrison of the British-American Tobacco Company). This tended to lengthen the period between the completion of harvesting and the commencement of buying to more than a month. No explanation or reason for the delay was advanced to the growers by the company which apparently dominated the market. As the days passed the growers quite naturally became very anxious.

The position of the tobacco growers can be readily understood. The successful achievement of their hopes and labours had been accomplished in harvesting and curing a crop which, in point of quality and yield, was even beyond their expectations. Costs for buildings, equipment and labour had been heavy, and credit had, in many instances, been used to the limit. The relatively low prices paid for the 1931 crop had caused considerable dissatisfaction in that year but the grower had no reason to believe that prices in 1932 would be any lower. In fact, due to the short crop in the United States, the fine quality of the Ontario crop, and the increasing interest that English manufacturers were displaying in Canadian tobacco, the growers were rather optimistic as to the disposal of the 1932 crop. The opening of the market was thus awaited with the keenest interest. The customary date was reached and passed, the days lengthened into weeks, and there was still no sign of the market opening. The "holding off" of the opening of the market was a severe strain on the morale of the growers.

During this period one of the hotels in the town of Tillsonburg, situated on the border of the Norfolk, Oxford, Elgin tobacco district, became the headquarters of the representatives and buyers of most of the tobacco companies in Canada. Tobacco interests in the United Kingdom and the United States were also represented. In all, about thirty of these men were registered at this hotel. With the long delay in opening the market this group became the centre of interest of the whole tobacco district. On October 26 the market was opened by the Imperial Tobacco Company of Canada with a top price of twenty-four cents, six cents below the top price of 1931. A few hours later the other companies began buying and there followed what appeared to the growers a competition in reducing prices. In no case was the top price of twenty-four cents, set



by the Imperial Tobacco Company of Canada, exceeded by any other company and comparatively few crops were bought at this price. This also appears to be an unwritten law and practice of the trade. Within a few days the price was steadily and rapidly reduced, in many instances to less than half the opening price. The reduction continued to such an extent that by the first week of November the growers were becoming demoralized and some were ready to sell at almost any price. The buyers took advantage of the situation and some crops were bought at ridiculously low prices. The fact that, in comparatively few instances, did buyers for more than one company make offers for the crops of individual growers, lent colour to rumours that were rapidly spreading. Charges of a combine and collusion on the part of the buyers to depress prices were numerous and culminated in a formal application for an investigation.

*Holding off the Market.*—It is generally acknowledged by those engaged in the purchase and processing of tobacco in Canada, both for domestic purposes and for export, that the Imperial Tobacco Company of Canada dominates the market to the extent of fixing a date for its opening and setting the top price paid. From evidence obtained it appears that the Imperial Tobacco Company of Canada were mainly responsible for a delay of nearly three weeks beyond the usual time in opening the market for the purchase of the flue-cured tobacco crop of 1932. This delay caused much uneasiness and had a very disturbing effect upon growers of tobacco. Correspondence between the Imperial Tobacco Company of Canada and the Imperial Tobacco Company of Great Britain and Ireland shows that on September 23, 1932, an order was placed with the former company by the latter for the purchase of 1,000,000 pounds of flue-cured tobacco from the 1932 crop with the probability of an order for another 1,000,000 pounds the following week. It will be observed that is upwards of a month before the purchasing began.

In a letter to Mr. Buell, Vice-President of the Imperial Tobacco Company of Canada, Mr. L. H. Reed, Manager of the Leaf Department of the Imperial Tobacco Company of Great Britain and Ireland, under date of November 16, 1932, confirmed the purchase on a commission basis of 3,500,000 pounds (green weight) of the Ontario flue-cured tobacco crop of 1932. In addition, during 1932, the Imperial Tobacco Company of Canada sold approximately 2,500,000 pounds of redried tobacco to the Imperial Tobacco Company of Great Britain and Ireland. This tobacco was taken from the 1931 crop. The correspondence shows conclusively that the Imperial Tobacco Company had instructions, before the usual time for opening the market, to purchase a substantial quantity of tobacco for the Imperial Tobacco Company of Great Britain and Ireland, yet the opening of the market was delayed.

Mr. Buell in a letter to Mr. Reed dated September 28, 1932, states,

We have not set any special date for opening the market, but in all probability it will be within the next two weeks.

On October 18, 1932, Mr. Buell wrote to Mr. Reed making arrangements for Mr. T. L. Lea, Manager of the Ontario Leaf Department of the Imperial Tobacco Company of Canada, to meet Mr. J. R. Hutson, representative of the Leaf Department of the Imperial Tobacco Company of Great Britain and Ireland at Hamilton, Ontario. He says, in part,

they (Lea and Hutson) could very well spend a day or two in making a survey of the crop, and whether I am able to be there or not, I think they should begin buying operations not later than October 26th. Our Delhi organization will only be notified of these plans a day or two in advance.



A report of the Federal Trade Commission of the United States on the tobacco industry, dated December 11, 1920, contains the following under section 7, page 58:—

According to the testimony of numerous tobacco producers, dealers, warehousemen, and buyers, as well as the correspondence of the large manufacturers and dealers, one of the most important causes of the decline in prices of leaf tobacco during the 1919-20 season was "holding off" the market and buying "under cover," indulged in by the large tobacco manufacturers. The effect of these practices varied, but was most apparent in those markets where the companies using the methods were important purchasers. As a general proposition, it is recognized by those experienced in the trade, that "holding off" the market, even temporarily, by any concern which purchases a substantial percentage of the tobacco sold on that market, will have a direct effect on the prices being paid.

The term "holding off" the market is not applicable in Canada in precisely the same sense as used in the United States. Strictly speaking there is no market in Canada. The company making the first purchase, however, has come to be considered as opening the market, and the period of buying that follows is regarded as the market. When a grower has harvested his crop he awaits the arrival of a purchaser, and when a buyer appears there ensues a process of dickering as to price, with varying results, often influenced as was the case in 1932 by financial circumstances and the eagerness of the grower to make a sale. When asked for an explanation as to the delay until October 26th in opening the market, the Imperial Tobacco Company of Canada submitted the following, under date of February 2, 1933:

In reply to your question, while we do not wish to seem argumentative yet so far as we know there is no market opening in the generally accepted sense of the word. However, if contracting the first purchase is to be considered as a market opening, we respectfully submit that by reason of the fact that we have no knowledge of purchases made other than by ourselves we are not in a position to state when the market opened. For the past seven years our first purchases were made as follows:—

1926—October 19	1930—October 6
1927—October 12	1931—October 6
1928—October 18	1932—October 26
1929—October 10	

There is no fixed date on which our first purchase is to be made in each year and we believe you will agree from the dates of purchases set out in the foregoing that there has been no undue delay in making our first purchase of the 1932 crop.

When we became aware that notwithstanding the advice given to farmers in our circular memorandum of March 18, 1932, the total production of flue-cured tobacco gave promise of being appreciably in excess of the total quantity produced in 1931, we had great anxiety as to what might be the outcome, knowing as we did at that time that we would not be justified ourselves in purchasing more than about 8,000,000 pounds of the total quantity. Our fear was that once our requirements were satisfied, the big remaining balance would be dumped on the market with the natural result that prices would decline appreciably, creating distress among the growers, and that the industry itself might suffer a serious reverse and setback.

We had been under negotiations with our British friends and saw a prospect of selling to them some quantity of our stock from previous crops, which in itself would naturally have permitted us to increase the quantity that we would then be able to purchase out of the 1932 crop. As the negotiations developed our British friends intimated that in addition to taking from us some of our older tobacco, they would also like us to purchase for them some out of the 1932 crop.

Substantially, the factors recited above were mainly responsible for delaying our purchasing until the 26th October.

In regard to the above the following extract from a letter, dated August 22, 1932, from Mr. Buell to Mr. R. C. Harrison, of the British-American Tobacco Company, addressed to London, England, may be quoted:

I will be visiting the southern markets next week and the week following. I will make it a point to see Mr. Reed, and I hope that he will let me know if the buying of their Canadian requirements will be entrusted to us.

Mr. Buell's letter also confirms the early harvesting of the 1932 crop and the fact that the quality was more suitable for the English market than heretofore. He refers to orders placed by several independent English manufacturers with local Ontario dealers for their requirements from the 1932 crop.

Mr. H. A. Freeman, of Simcoe, former Manager of the Dominion Experimental Farm at Harrow, Ontario, and the Ontario Tobacco Plantations, Limited, and at present one of the largest tobacco growers in Ontario, stated in an interview on December 21, at Simcoe:

One week approximately before the Ontario tobacco market opened, a buyer from England arrived in the Norfolk district. This buyer, who represented Gallagher's Limited, of Belfast, stated that he was prepared to take about 3,000,000 pounds of flue-cured tobacco at a price of twenty-five cents per pound. If, however, the market went down, he made it clear that he must protect himself as his company naturally was only prepared to pay the market price. He stated that his company would fill their requirements if it were necessary to pay thirty-five cents a pound.

Professor A. Leitch, of Guelph, Manager of the Windham Tobacco Plantations, Limited, said in the course of an interview on December 24, that a representative of Gallagher's Limited, of Belfast, stated before the opening of the market that he was in a position to take 2,400,000 pounds of the 1932 crop if the price did not go above twenty-five cents per pound. This quantity was taken by Gallagher's in 1931. The Windham Plantations had sold Gallagher's 1,700,000 pounds of tobacco to date (December 24), with more to follow.

The following is taken from a letter from Gallagher's Limited, of Belfast, Ireland, to the Leamington Tobacco Sales Corporation, of Leamington, Ontario, dated September 7, 1932:—

We thank you for your letter of the 24th ult. and for your crop report. Indications from Prof. Leitch and others show the crops to be much brighter in colour but lighter in body. We are, therefore, looking forward with considerable interest to the type samples representing the crop which Mr. Lynch will be sending.

We may say now that we do not know whether the thin crop is going to suit us, and we also hasten to say that if competition is keen and prices high our buying is likely to be considerably curtailed.

You are aware that our outright purchase of last year landed here at around 38 cents, which was around 1/9d, the exchange is now over 13 per cent lower so that the price might exceed 2/- all grades which



we are not prepared to pay. Another point is that with the thinner crop the loss in grading may possibly be higher.

This position is not one that affects us only but manufacturers on this side as a whole. It is not an economic proposition, particularly in view of the low prices which prevailed in America last year to pay more than 2/2 a pound for the best colonial tobacco, so that we do not believe that the competition will be as keen as you indicate.

Our position is that if we can get the right tobacco at prices not higher than our sterling average of last year we will be interested, and it is certainly our desire to buy concurrently, but we do not want you to be under any false impression as to our attitude.

The above letter confirms the statements made by Mr. Freeman and Professor Leitch. The low average price in Canada could not be attributed to the price buyers were prepared to pay in the United Kingdom. Processing, shipping, and insurance charges amount to approximately seven cents per pound.

The reference to the date of opening the market in 1926 by the Imperial Tobacco Company of Canada is hardly applicable as a comparison to the date in 1932. The total production of flue-cured leaf in Canada in 1926 was only 4,331,000 pounds, while in 1932 it amounted to about 29,000,000 pounds.

The Ontario flue-cured tobacco industry had already developed and reached an export basis in 1931 when 5,423,028 pounds were exported to the United Kingdom. It is evident from the interest early displayed by the independent British manufacturers in the Ontario flue-cured crop of 1932 that the quality of the tobacco supplied them in 1931 had created a favourable impression, that they had kept in touch with a view to securing a quantity from the 1932 crop, and that they had made their arrangements accordingly.

That the Imperial Tobacco Company of Canada was conscious of its dominating position in the past and was anxious to maintain that position is manifested in the arrangement made with the Imperial Tobacco Company of Great Britain and Ireland to supply that company with their requirements from the 1932 crop. The delay in opening the market, and the concealment of the date when decided upon, even from the company's own organization at Delhi, Ontario, evinces a desire for secrecy for which no reasonable justification has been advanced. The rights of the tobacco growers with their crops in the barns, awaiting buyers for a month or more, had apparently been lost sight of, and it would appear that the object of the delay was to utterly demoralize them and make them submissive when afforded an opportunity of disposing of their crops.

*Buying Under Cover.*—Through their office at Richmond, Virginia, the Imperial Tobacco Company of Great Britain and Ireland gave instructions to the Imperial Tobacco Company of Canada for the purchase of flue-cured tobacco in 1932 as follows:—

Date Received	Amount
Original Order, September 22, 1932.....	1,000,000 lbs. 1932 Crop
First Increase, September 27, 1932.....	500,000 lbs. 1932 Crop
....	500,000 lbs. Matured
Second Increase, November 7, 1932.....	500,000 lbs. 1932 Crop
Third Increase, November 15, 1932.....	1,000,000 lbs. 1932 Crop
....	1,000,000 lbs. Matured

The total quantity of tobacco purchased by the Imperial Tobacco Company of Canada from the 1932 crop for the Imperial Tobacco Company of Great Britain and Ireland amounted to about 3,500,000 pounds. In addition, approximately 2,500,000 pounds of redried or matured tobacco from the 1931 Ontario crop was sold by the Imperial Tobacco Company of Canada to the Imperial Tobacco Company of Great Britain and Ireland.



Correspondence shows that, without reference to prices, a commission of one dollar per hundredweight was to be paid the Imperial Tobacco Company of Canada for its services in purchasing the tobacco required by the Imperial Tobacco Company of Great Britain and Ireland.

The contract form used by the Imperial Tobacco Company of Canada in all purchases of the 1932 crop of flue-cured tobacco, irrespective of whether the crop was destined for its own requirements or for the Imperial Tobacco Company of Great Britain and Ireland, was similar to the following:—

# IMPERIAL LEAF TOBACCO COMPANY OF CANADA, LIMITED

Delhi,

Leamington, Dec. 18th, 1932.

I, .....hereinafter called the Seller, agree to sell to the Imperial Leaf Tobacco Company of Canada, Limited, hereinafter called the Company, and it agrees to purchase from me certain and definite lots of Flue Cured leaf tobacco at prices under conditions and in estimated quantities as herein specified:—

20,000 lbs. at 22c. per lb.

10,000 lbs. at 14c. per lb.

1,500 lbs. at 5c. per lb.

Balance lbs. at — per lb.

Total, 31,500 lbs.

The Seller agrees to preserve the colour and quality of said tobacco and at no time strip and pack more than 15 per cent of same prior to delivery unless otherwise advised by representative of the Company.

The above mentioned tobacco to be delivered in—our Plant, Delhi, Ontario, perfectly sound and in good keeping order, at such time or times during the shipping season as may be designated by the Company and to be paid for upon delivery, and acceptance of same, the Company being authorized to make all cheques for proceeds to person making delivery.

The tobacco is to be graded in three grades, i.e., Sand Leaves, Bright Leaf and Red and Dark Leaf—or as follows:—

All green to be thrown out of 1,500 lbs. at 5c., handled and packed according to instructions. All tobacco to be baled in good baling paper and all green, black, burnt, dead, frosted, or otherwise damaged tobacco, and suckers to be thrown out when stripping.

IMPERIAL LEAF TOBACCO COMPANY  
OF CANADA, LIMITED

Signature of the Seller

.....

per.....Buyer.

P.O.....

The Imperial Tobacco Company of Great Britain and Ireland have a subsidiary company, the British Leaf Tobacco Company of Canada, Limited, located at Chatham, Ontario, fully equipped and engaged in processing tobacco.

Tobacco purchased by the Imperial Tobacco Company of Canada for its own use and for the Imperial Tobacco Company of Great Britain and Ireland was delivered to the plant of the former company at Delhi, Ontario. All tobacco purchased for the Imperial Tobacco Company of Great Britain and Ireland had been allotted to them in the barn before delivery was made. This tobacco was shipped from Delhi to the plant of the British Leaf Tobacco Company of Canada at Chatham, and was received there in the same condition as it had been delivered at Delhi by the growers.

Arrangements were made prior to the opening of the market to have Mr. J. R. Hutson, representative of the leaf department of the Imperial Tobacco Company of Great Britain and Ireland, come to the Norfolk tobacco district from Richmond, Virginia, on October 24 to be on hand when buying commenced on October 26.

The above facts were confirmed from copies of correspondence between the two companies mentioned supplied by Mr. W. Milligan, President of the British Leaf Tobacco Company of Canada, Limited, in response to a request submitted on December 14, 1932, as follows:

Copies of all correspondence between your company and other companies buying flue-cured tobacco from growers in Ontario in 1932.

The reply of the Imperial Tobacco Company of Canada, Limited, to the same request was as follows:

We have had no correspondence whatsoever with any other company who have to our knowledge bought flue-cured tobacco from growers in Ontario in 1932.

The Imperial Tobacco Company of Canada contended that, as the British Leaf Tobacco Company of Canada did not buy tobacco directly from growers, correspondence with that company did not come within the wording of the above request.

When the market was opened, Mr. J. R. Hutson, previously mentioned, and Mr. T. L. Lea, Manager of the Ontario Leaf Department of the Imperial Tobacco Company of Canada, travelled together through the district and supervised the buying of tobacco by that company. In this way buying "under cover" took place to the extent of 3,500,000 pounds of the 1932 crop.

A report of the Federal Trade Commission of the United States on the tobacco industry, dated December 11, 1920, contains the following provision from the anti-trust decree of the United States regarding buying tobacco "under cover," Section 3, page 158:—

It is further ordered, adjudged, and decreed that British American Tobacco Company, Limited, and the Imperial Tobacco Company (of Great Britain and Ireland), Limited, shall not act as agent for each other, nor employ a common agent for the purchase of leaf tobacco in the United States.

It might be pointed out that the Imperial Tobacco Company of Canada is controlled by the above mentioned British-American Tobacco Company.

The previously mentioned report of the Federal Trade Commission of the United States, dated December 11, 1920, contains the following in regard to buying "under cover," Section 7, page 58:—

It is recognized that where a large tobacco purchaser buys its requirements "under cover" through a dealer already on the market, competition is lessened and the price is affected.

The explanation offered in justification of the method of purchase, as rendered by the British Leaf Tobacco Company of Canada, a subsidiary of the Imperial Tobacco Company of Great Britain and Ireland, is as follows:—

The reason the purchases were not made by the British Leaf Tobacco Company direct from growers is because that company has not in its employ men who are qualified to buy flue-cured tobacco, nor is it possible for it to employ any such men capable of buying the types required for the trade of the Imperial Tobacco Company (of Great Britain and Ireland) as sold in the barns in Canada. It is a fact that in time and with training experienced buyers of the Imperial Tobacco Company (of

Great Britain and Ireland) may be able to buy Canadian flue-cured tobacco in the barn.

The reasons advanced by the Imperial Tobacco Company of Canada for having made such purchases of tobacco for the Imperial Tobacco Company of Great Britain and Ireland were substantially the same as those rendered by the British Leaf Tobacco Company of Canada, and in addition thereto the following:—

We think it pertinent at this time to state that the British Leaf Tobacco Company, Limited, may be said to be indirectly related to this Company. The relationship is as follows:—

The British Leaf Tobacco Company, Limited, is an operating subsidiary of the Imperial Tobacco Company (of Great Britain and Ireland) Limited.

The Imperial Tobacco Company (of Great Britain and Ireland) Limited, as a substantial interest in the capital stock of the British-American Tobacco Company, Limited.

The British-American Tobacco Company, Limited, has a substantial interest in the capital stock of the Imperial Tobacco Company of Canada, Limited.

If the relationships referred to, based on an interlocking of interests through capital stock held by the companies mentioned, can be held to justify the methods pursued by the Imperial Tobacco Company of Canada in removing from the market what might otherwise have been a strong competitor, then the relationships of all tobacco companies operating in Canada might well be inquired into.

It appears that the Canadian Leaf Tobacco Company, of Chatham, Ontario, a subsidiary of the Universal Leaf Tobacco Company, of the United States, purchased about 5,000,000 pounds of the Ontario 1932 crop, chiefly for export. In this connection it was stated by a responsible authority that—

the Canadian Leaf Tobacco Company bought a large quantity of tobacco during 1932 at a very low price. They stepped into the market at precisely the correct time to make this possible, which may, or may not have been, merely very good judgment on their part.

The same party pointed out that it was generally conceded in the trade that there was a close relationship between the Canadian Leaf Tobacco Company and the Imperial Tobacco Company of Canada through the close relationship that existed between the parent companies in the United States, the Universal Leaf Tobacco Company and the British-American Tobacco Company. He added further that—

Mr. F. N. Harrison is Manager of the leaf department of the Universal Leaf Tobacco Company, while his brother, Mr. R. C. Harrison, is Manager of the leaf department of the British-American Tobacco Company, which fact in itself is of some significance.

In the United States, the British-American Tobacco Company and the Imperial Tobacco Company of Great Britain and Ireland are compelled by law to operate separately in the purchase of tobacco, whereas in Canada, in view of the Imperial Tobacco Company of Canada's relationship to the British-American Tobacco Company, it might be said that these companies are allowed to operate together.

In regard to the purchasing arrangement between the Imperial Tobacco Company of Great Britain and Ireland and the Imperial Tobacco Company of Canada, the following comment was made by a widely experienced tobacco man:—

It is ridiculous to assume that the biggest and strongest tobacco company in the world would be unable to secure men who could satis-



factorily purchase the relatively small amount of tobacco that was required by the Imperial Tobacco Company of Great Britain and Ireland from the Ontario 1932 crop.

It was his opinion that four or five buyers, such as were employed by Canadian tobacco companies, could make a good job of buying the Canadian requirements of the Imperial Tobacco Company of Great Britain and Ireland.

In the return submitted by the Imperial Tobacco Company of Canada, under date of January 4, 1933, it is stated, in regard to the arrangement with the Imperial Tobacco Company of Great Britain and Ireland.

In our agreeing to purchase for them we feel that we are only co-operating with a related corporation.

This is a frank admission by the Imperial Tobacco Company of Canada that buying under cover was practised in the purchase of the 1932 crop.

The fact that such a procedure has been decreed illegal in the United States indicates the objectionable features of this arrangement in Canada, tending as it does to lessen competition and depress prices to the detriment of the growers. It enabled the Imperial Tobacco Company of Canada to continue to exercise what amounts to monopolistic control of the Ontario market, although purchasing less than one-third of the crop for its own use.

*Increasing Importance of Export Market.*—There is one outstanding feature of the 1932 crop of flue-cured tobacco that has an important bearing on the whole situation and should not be lost sight of, namely, the uniformly high quality of the crop as a whole. This is acknowledged by expert judges and those qualified to express an opinion.

The 1931 crop was admittedly a good one, both as to yield and to quality. Exports from that crop to the United Kingdom, amounting to 5,423,028 pounds, had been favourably received, and had directed attention to the possibility of Canada supplying more substantial quantities of the Bright Flue-cured variety, obtained heretofore largely from the United States. The British preference of forty-nine cents per pound on Canadian tobacco over that imported from the United States was also an important factor.

The 1931 crop was harvested by the old method of cutting the stalks, the lower leaves being frequently over-ripe and the top leaves or tips somewhat green, a most objectionable feature in cigarette tobacco. On the other hand, over ninety per cent of the 1932 crop was harvested by the priming process, that is, cutting off the leaves as they ripen, and curing the same, involving in all about four primings. While this method entailed more labour and expense than the old method, it greatly increased the uniformity and improved the quality of the crop, and was responsible for an increase in its value estimated at approximately five cents per pound. Another advantage of the priming method was the fact that the uniformity of the leaf in each of the primings, which are kept separate in the barns, facilitated examination and valuation by buyers.

In confirmation of the superior quality of the 1932 crop there may be quoted the following extract from a letter dated October 5, 1932, from Mr. L. H. Read, of the Imperial Tobacco Company of Great Britain and Ireland, to Mr. H. P. Buell, of the Imperial Tobacco Company of Canada:

I am very much obliged for your letter of September 28th, and for the samples of Canadian leaf from the 1932 crop which you so kindly sent me. These samples are by far the best of this type that I have seen, and indicate that the crop is a good one, particularly for cigarette purposes; although I note that the samples which you sent were taken from the best crops.

The Imperial Tobacco Company of Canada is, and has been for a number of years, by far the largest buyer of leaf tobacco in Canada. More than 80 per cent of the entire flue-cured crop of 1928 was purchased by this company, and over 58 per cent of the crop of 1931. Its purchases from the 1932 crop, estimated at 29,000,000 pounds, amounted to 14,560,800 pounds, or approximately 50 per cent. This, however, includes 3,500,000 pounds bought for the Imperial Tobacco Company of Great Britain and Ireland, which reduces the proportion to about 38 per cent of the total. In addition, during 1932, the Imperial Tobacco Company of Canada sold 2,500,000 pounds of re-dried tobacco from the 1931 crop to the Imperial Tobacco Company of Great Britain and Ireland. This tobacco had to be replaced from the 1932 crop, which had the effect of making the purchases of the former company, for its own account, greater than would otherwise have been the case. Deducting the quantity purchased to replace the 1931 tobacco sold to the Imperial Tobacco Company of Great Britain and Ireland, the requirements of the Imperial Tobacco Company of Canada from the 1932 crop amounted to about 29 per cent of the entire crop.

The decline in the percentage of the total crop required by the Imperial Tobacco Company of Canada from 80 per cent in 1928 to 29 per cent in 1932 indicates the increase in the quantity of flue-cured tobacco produced in Ontario during recent years, and the rapidly increasing importance to the growers of the export market in the United Kingdom.

The Canadian Leaf Tobacco Company, a subsidiary of the Universal Leaf Tobacco Company of the United States, purchased approximately 5,000,000 pounds of the 1932 crop, or about 17 per cent. Nearly all this tobacco is destined for export to the United Kingdom. The Norfolk Leaf Tobacco Company, the Consolidated Leaf Tobacco Company, the China-American Tobacco Company, and the Windham and St. Williams Plantations export nearly all their tobacco to the United Kingdom. Fully 40 per cent of the 1932 crop has been purchased for export.

The total quantity of raw tobacco imported into the United Kingdom in 1931 amounted to 196,139,537 pounds, of which the United States supplied 157,188,102 pounds. Since Canadian tobacco has a preferential advantage of 49 cents per pound on the British market over that from the United States, it is but natural that there should be a strong and growing demand in that market for Canadian flue-cured tobacco.

*Domestic Prices.*—The consumption of tobacco, so universal throughout the world, is regarded, more or less, as a luxury, and is therefore recognized in many countries as a suitable and convenient source from which to derive national revenue. There is some doubt as to whether this tax was originally designed to discourage the use of tobacco, or solely for revenue purposes; if for the former, it has been a pronounced failure, if for the latter, a decided success. In any event Canada derives a substantial revenue from this source, that for the year 1930 being \$42,257,519, and for 1931 \$42,232,582. The state is therefore an interested party in both production and consumption of tobacco and there is consequently entailed a responsibility to see that prices of Canadian raw leaf tobacco are reasonably consistent and in keeping with prices paid for manufactured tobacco.

While there is no duty under the customs tariff on imports of unmanufactured leaf tobacco, there is an excise tax levied, upon removal from bond, of 40 cents per pound on unstemmed leaf and 60 cents per pound on stemmed leaf. As this tax is not levied on tobacco grown in Canada, it constitutes a preference to that extent on Canadian grown tobacco on the domestic market over imported tobacco. An additional preference of 49 cents per pound on the British market over tobacco imported into that market from the United States would indicate that the position of the Canadian tobacco grower is a most favourable one and such as would ensure a profitable and stable price for his product.



Prior to and including the year 1930 this was the case. In that year the average price paid was 32 cents per pound. In 1931 the average price had declined to 20 $\frac{1}{2}$  cents, while a further reduction in 1932 brought the average down to 16 $\frac{1}{2}$  cents. The maximum price paid on the opening of the 1930 market was 40 cents, and in 1931 30 cents. This was reduced in 1932 to 24 cents, with a relatively small proportion being bought at that price.

The depreciation in the value of sterling undoubtedly affected the price in the export market. This was offset, however, to a certain extent by the improvement in quality of the 1932 crop over that of previous years. These are factors that must be considered. The manufacturers of tobacco in Canada have profited to the full extent from the decline in prices and the improvement in quality, since no appreciable reduction has taken place in the prices charged for manufactured tobacco, although there has been a decrease of 50 per cent in the price of raw leaf tobacco since 1930. The operations of these companies are almost entirely confined to supplying the domestic market. That their business has been profitable and does not justify this reduction in leaf prices is shown by the net profits earned by the principal company operating in Canada, amounting in 1930 to \$6,512,164.18, and in 1931 to \$5,914,079.47.

The following table indicates the rate of excise on all tobacco manufactured in Canada, also that on imported raw leaf tobacco, paid when taken out of bond:

Imported raw leaf tobacco, unstemmed.. . . .	\$ 0 40 per lb.
Imported raw leaf tobacco, stemmed.. . . .	0 60 per lb.
Cigars.. . . .	3 00 per M
Cigarettes, over 3 pounds per M.. . . .	11 00 per M
Cigarettes, under 3 pounds per M.. . . .	4 00 per M
Cut tobacco.. . . .	0 20 per lb.
Canadian twist tobacco.. . . .	0 20 per lb.
Snuff.. . . .	0 20 per lb.

The Canadian Customs Tariff on imported tobacco is as follows:—

Unmanufactured tobacco (subject to excise tax) . . . . .	Free
Cigars.. . . .	\$3 90 per lb. and 25 per cent
Cigarettes.. . . .	\$4 10 per lb. and 25 per cent
British preferential tariff.. . . .	3 50 per lb. and 25 per cent
Cut tobacco.. . . .	\$0 95 per lb.
British preferential tariff.. . . .	0 80 per lb.
Manufactured tobacco, n.o.p., and snuff.. . . .	0 90 per lb.
British preferential tariff.. . . .	0 75 per lb.

The following table indicates the duty collected on imported tobacco for the fiscal year 1932:

Item	Lb.	Value	Duty per collected	Duty per lb.	% Duty of value
Tobacco unmanufactured for excise purposes.. . . .	13,075,335	\$3,861,465	.....	.....	.....
Cigars.. . . .	9,623	71,838	\$ 55,489.20	5.76	77.2
Cigarettes.. . . .	26,721	97,197	133,855.35	5.00	137.7
Snuff.. . . .	5,745	12,451	5,170.50	0.90	41.5
Tobacco, cut.. . . .	201,450	427,383	191,377.50	0.95	44.7
All other manufactures of tobacco.. . . .	64,864	161,218	58,377.60	0.90	36.2

Notwithstanding the excise tax on tobacco manufactured in Canada, the Canadian Customs Tariff on imports is sufficiently high to confine the supply for domestic consumption almost entirely to tobacco manufactured in Canada. The fact that exports of Canadian manufactured tobacco are of a negligible quantity indicates that prices in Canada for manufactured tobacco are higher than could be obtained on the export market. The constancy with which prices



for manufactured tobacco is maintained in Canada is in striking contrast to the decline in prices paid for leaf tobacco during 1931 and 1932. As long as imports of leaf tobacco exceed exports of same, it is difficult to reconcile the constant price level maintained on the one hand with the decline on the other.

Imports and exports of leaf tobacco into and from Canada for the fiscal years (ended March 31st) 1930, 1931 and 1932 were as follows:

Imports—			
1930..			17,113,472 lbs.
1931..			16,580,394 lbs.
1932..			13,075,335 lbs.
Exports—			
	All leaf tobacco	Bright flue-cured tobacco	
1930..	6,811,391 lbs.		300,000 lbs.
1931..	6,051,319 lbs.		1,515,363 lbs.
1932..	8,222,922 lbs.		5,529,340 lbs.

The following table indicates, for each of the three principal buyers of Ontario flue-cured tobacco during 1932, the dates of purchases, the total quantity purchased on each date, and the average price paid on each date:—

Imperial Tobacco Company of Canada, Ltd.			Hodge Tobacco Co. of Canada, Ltd.		Canadian Leaf Tobacco Company, Ltd.		
Date	Pounds	Price	Pounds	Price	Date	Pounds	Price
		cts.		cts.			cts.
Oct. 26.....	1,388,500	22-40	179,000	22-60	Oct. 26.....	No purchase..	
Oct. 27.....	1,909,400	20-90	No purchase..		Oct. 27.....	No purchase..	
Oct. 28.....	1,257,000	18-54	No purchase..		Oct. 28.....		
Oct. 29.....	218,500	16-32	121,000	19-78	to		
Oct. 31.....	406,200	16-04	274,000	14-54	Oct. 31.....	776,000	16-33
Nov. 1.....	217,000	16-61	475,000	14-85	Nov. 1.....		
Nov. 2.....	859,000	15-50	507,000	14-25	to		
Nov. 3.....	367,000	14-02	182,000	13-87			
Nov. 4.....	844,500	13-40	229,000	14-12			
Nov. 5.....	330,000	14-40	No purchase..		Nov. 5.....	1,708,000	13-19
Nov. 7.....	151,000	13-64	250,000	12-34	Nov. 7.....		
Nov. 8.....	413,500	14-58	317,000	14-54	to		
Nov. 9.....	363,000	14-70	67,000	13-55			
Nov. 10.....	511,000	15-51	21,000	09-00			
Nov. 11.....	155,200	15-40	No purchase..		Nov. 12.....	1,051,000	13-77
Nov. 12.....	921,500	17-57	No purchase..		Nov. 14.....		
Nov. 14.....	50,000	18-50	No purchase..		to		
Nov. 15.....	158,000	16-26	78,000	15-00	Nov. 18.....	273,000	16-23
Nov. 17.....	576,000	15-10	No purchase..		Nov. 19.....		
Nov. 18.....	409,000	15-40	30,000	24-00	to		
Nov. 19.....	313,500	16-40	No purchase..		date.....	726,000	13-26
Nov. 21.....	578,000	18-24	No purchase..		(Feb. 10/33)..		
Nov. 22.....	791,600	16-55	133,000	17-70			
Nov. 23.....	514,600	15-36	No purchase..				
Nov. 24.....	356,300	14-94	53,000	16-34			
Nov. 25.....	228,000	14-85					
Nov. 28.....	59,000	16-44					
Nov. 29.....	30,000	16-54					
Nov. 30.....	7,500	13-00					
Dec. 1.....	60,000	15-07					
Dec. 2.....	17,000	14-00					
Dec. 3.....	64,000	13-52					
Dec. 5.....	30,000	15-00					
Dec. 7.....	6,000	12-00					
	14,560,800	17-21	2,916,000	15-36		4,524,000	14-80

The principal companies operating in the purchase of the Ontario 1932 crop were the Imperial Tobacco Company of Canada, which took charge of buying the requirements of the British Leaf Tobacco Company of Canada, a subsidiary of the Imperial Tobacco Company of Great Britain and Ireland; the Hodge Tobacco Company of Canada, a subsidiary of the United States Company of the same name and buying agents for W. C. MacDonald, Inc., of Montreal; and the Canadian Leaf Tobacco Company, a subsidiary of the Universal Leaf Tobacco Company, of the United States.

Difficulties were experienced, causing delay in concluding the inquiry, through the belated arrival of statements regarding purchases made and prices paid each day during the buying season, submitted by the Imperial Tobacco Company of Canada and the Canadian Leaf Tobacco Company. The statement from the latter company was received February 22nd, and although incomplete, has been included in the above table.

The following table shows the amount of Issued Capital stock and the Net Profits, for the periods indicated, of the companies engaged in purchasing and processing leaf tobacco in Ontario in 1932. With the exception of the Imperial Tobacco Company of Canada, none of these companies are engaged in the manufacture of tobacco.

British Leaf Tobacco Company of Canada, Limited

	Capital issued	Net profits
For the year ended July 31, 1930.. . . .	300,000.00	*6,584.67
For the year ended July 31, 1931.. . . .	300,000.00	15,382.25
For the period ended April 30, 1932.. . . . (nine months)	300,000.00	15,571.18

Canadian Leaf Tobacco Company, Limited

	Capital issued	Net profits
For the year ended June 30, 1930.. . . .	200,000.00	51,826.51
For the year ended June 30, 1931.. . . .	200,000.00	59,406.34
For the year ended June 30, 1932.. . . .	200,000.00	113,506.12

Consolidated Leaf Tobacco Company, Limited

Incorporated November 28, 1931.  
No financial statement for year 1932.

Hodge Tobacco Company of Canada, Limited

	Capital issued	Net profits
For the year ended April 30, 1930.. . . .	100,000.00	*9,193.66
For the year ended April 30, 1931.. . . .	100,000.00	*763.33
For the year ended April 30, 1932.. . . .	100,000.00	29,593.58

Imperial Tobacco Company of Canada, Limited

	Capital issued	Net profits
For the year ended September 30, 1929.. . . .	53,540,960.00	5,862,207.73
For the period ended December 31, 1930— Three months ended December 31, 1929.. . . .		1,641,473.86
Twelve months ended December 31, 1929.. . . .	55,285,160.00	6,512,164.18
For the year ended December 31, 1931 <sup>1</sup> . . . .	55,285,160.00	5,914,079.47

Leamington Tobacco Sales Corporation, Limited

	Capital issued	Net profits
For the year ended May 31, 1930.. . . .	100,000.00	*7,785.91
For the year ended May 31, 1931.. . . .	100,000.00	6,629.44
For the year ended May 31, 1932.. . . .	100,000.00	2,100.47

\*Denotes loss.

<sup>1</sup> Net profits of Imperial Tobacco Company of Canada, Limited, for the year ended December 31, 1932, were quoted at the end of February, 1933, in weekly financial newspapers at \$5,471,175.

## CONSOLIDATED LEAF TOBACCO COMPANY, LIMITED

The above mentioned company, located at Kingsville, Ontario, and formerly known as the Moss Leaf Tobacco Company, Limited, was incorporated November 28, 1931. This company, during the growing season before the tobacco was harvested, made contracts with about one hundred growers for their entire crops. The contract form was similar to the following:—

CONSOLIDATED LEAF TOBACCO COMPANY, LIMITED  
KINGSVILLE, ONTARIO

No. 532

## FLUE CONTRACT—1932 CROP

Memorandum of Contract made this .....day of .....  
A.D. 1932 between .....of the Township of .....  
County of ..... Province of Ontario, hereinafter called the  
Party of the First Part, and Consolidated Leaf Tobacco Company, Limited, of  
the Town of Kingsville, County of Essex, Province of Ontario, hereinafter called  
the Party of the Second Part.

Now this indenture witnesseth as follows:—

1. The Party of the First Part agrees to sell, and the Party of the Second Part agrees to buy at the undermentioned prices, the Flue-cured Tobacco covered by this contract, which, in the opinion of the Party of the Second Part solely, is in accordance with the following classifications and descriptions:

(a) All sound, clear, smooth, lemon leaf, at 30c. to 36c., according to quality and general character.

(b) All sound, clear, smooth, bright orange leaf, at 26c. to 30c., according to quality and general character.

(c) All sound, clear, smooth, heavy orange leaf, at 22c. to 26c. according to quality and general character.

(d) All sound, clear, smooth, extra heavy orange to dappled mahogany leaf, at 15c. to 18c., according to quality and general character.

(e) All sound, clear, smooth, mahogany leaf, at 10c. to 12c, according to quality and general character.

(f) All sound, clean, leafy, smooth, bright sand leaves, at 12c. to 15c., according to quality and general character.

2. All tobacco damaged through frost, wind, hail, or damaged in any way whatsoever, or which is green, ragged, worm eaten or dirty, is to be excluded entirely, and anything which, in the opinion of the Party of the Second Part solely, does not come within the above mentioned classifications and descriptions, including dark sand leaves, is to be excluded under this contract, and only to form part of it provided both parties can agree as to price.

3. This contract includes all Flue-cured or Virginia type tobacco grown on Lot....., Concession ....., and estimated at ..... acres, or on any other lot or concession in which the Party of the First Part has any interest whatsoever.

4. Should total acreage be in excess of acreage mentioned in this contract, then any excess is to form part of this contract under the same terms and conditions.

5. Tobacco is to be delivered free from mortgage, lien, or encumbrance of any kind, in good merchantable order, free from excess moisture, and when the Party of the Second Part has determined to its satisfaction the quantity and general character of the classifications, as above set out, of the tobacco so delivered, then payment will be made.



6. Tobacco to be delivered by the Party of the First Part to the Party of the Second Part at Kingsville, or at any shipping point near location of crop that the Party of the Second Part may decide, at a date to be arranged by the Party of the Second Part, but not later than May 31st, 1933.

7. No agent or representative of the Party of the Second Part has any authority to alter or vary this contract in any way whatsoever.

In witness whereof the parties hereunto have set their hands and seals.

Party of the First Part:

Party of the Second Part

I or We control sale of entire crop

CONSOLIDATED LEAF TOBACCO Co., LTD.

Landlord . . . . .	
Tenant . . . . .	Per . . . . .
Post office . . . . .	
Telephone . . . . .	

There were some features of the contract that appealed to the grower, namely the six classifications specified and the prices listed for these classifications, ranging from 36 cents to 10 cents per pound. The importance of the words "In the opinion of the Party of the Second Part, solely," was apparently not fully appreciated by the grower when signing the contract. He became quite aware of their significance, however, upon delivery of his crop.

For example, C. W. Glover, of Waterford, Ontario, contracted his crop from twenty-eight acres to the Consolidated Leaf Tobacco Company. This crop, amounting to 35,470 pounds, was delivered at the Kingsville plant of the company on November 5, 1932, and was there classified under twenty-four grades. Some 3,090 pounds were accepted and paid for under the contract. A further 1,100 pounds, classified under Grade 9, was sold by Mr. Glover at the price offered. As the prices offered for the remainder of the crop were far from satisfactory to Mr. Glover, the balance, at the date of interview (December 29th), was being negotiated for by the company.

After it became known how the company was grading the tobacco delivered, a number of growers who had signed contracts refused to deliver their crops and sold elsewhere, with the result that litigation ensued in some of these cases. In a number of instances, subsequent arrangements were made with the Consolidated Leaf Tobacco Company for sale at a straight price per pound.

Another case investigated was that of J. Balinsky, of Otterville, Ontario, who contracted his crop from eight acres, amounting to 9,519 pounds, to the Consolidated Leaf Tobacco Company. The crop was removed by the company to its plant at Kingsville and 1,120 pounds were accepted and paid for under the contract. A further quantity of 4,301 pounds was accepted and paid for at prices indicated on weigh sheet (see copy), and the balance, 4,098 pounds, was rejected, and was being negotiated for under different arrangements.

The following is a copy of the weigh sheet received by Mr. Balinsky, showing grades, quantity of tobacco in each grade, and the price for each grade:—

CONSOLIDATED LEAF TOBACCO CO., LTD.,  
KINGSVILLE, ONTARIO.

Date: November 15, 1932.  
Name: Joe Balinsky.  
Address: Otterville, Ontario.

Grade	Pounds	Price per lb.	\$ cts.
A.....	33	0.30	9 90
B.....	196	.26	50 96
C.....	205	.22	45 10
D.....	220	.15	33 00
E.....	177	.10	17 70
F.....	289	.12	34 68
No. 9.....	794	.14	111 16
No. 10.....	1,041	.08	83 28
No. 11.....	418	.06	25 08
No. 12.....	172	.07	12 04
No. 15.....	1,527	.08	122 16
No. 19.....	40	.07	2 80
No. 20.....	309	.06	18 54
	5,421	.....	566 40

Consolidated Leaf Tobacco Co., Ltd.

Weights and Prices  
Approved and Accepted

(Signed) E. S. Hogan.

The following circular letter, received by Mr. Balinsky, was sent by the Canadian Leaf Tobacco Company, of Chatham, Ontario, to those growers, of whose tobacco a quantity had been rejected by the Consolidated Leaf Tobacco Company, after being delivered according to contract:—

CANADIAN LEAF TOBACCO COMPANY, LIMITED

CHATHAM, December 13, 1932.

DEAR SIRS,—According to information received from the Consolidated Leaf Tobacco Company, Kingsville, you have contracted your 1932 crop of flue-cured tobacco to that company.

There have been a number of people who have offered their crops to us, even though they were contracted to the above-mentioned company, and we wish to advise that unless we are furnished with a statement from the Consolidated Leaf Tobacco Company, Limited, certifying that they have released said crop, we do not desire to purchase same.

We have been informed further that in numerous cases there is a considerable quantity of tobacco that falls in quality below the minimum price of 12c. (we understand that the prices range from 12c. to 36c. per pound), and in this connection we wish to state that in the case of these rejects and culls, we shall be very pleased to purchase them from you, and if you will care to deliver them to our factory at Chatham we will do our utmost to pay you a fair price.

The above applies strictly to tobacco which the Consolidated Leaf Tobacco Company considers not good enough to warrant their paying minimum contract price, viz: 12c. per pound.

Yours very truly,

CANADIAN LEAF TOBACCO COMPANY, LIMITED

(Signed) C. L. O'BRIEN,

Vice-President.

The operations of the Consolidated Leaf Tobacco Company, although on a comparatively small scale, helped materially to increase the discontent and dissatisfaction on the part of the growers with the marketing of the 1932 crop. The methods of purchase employed by this company enabled it to keep its prices at a level below those paid by other companies after the market opened. As a result of its operations, however, the Consolidated Leaf Tobacco Company could not be charged with being a party to a combine.

*Summary.*—In the foregoing pages a brief outline has been attempted as to the object and subject matter of this inquiry, with a view to determining whether or not a combine existed as alleged among the several companies operating in the purchase of flue-cured tobacco in the Province of Ontario during 1932.

Some difficulties have arisen in determining the line of demarcation between what might be regarded as legitimate business and what might be an infringement of the Act relating to combines. It is, therefore, quite possible that this inquiry may, in some respects, have been carried beyond this line, and may not have reached it in others.

It is generally supposed that where active competition prevails there are but little grounds on which to base suspicion of a combine. On the other hand, where competition does not prevail to a reasonable extent, or where by any means competition is lessened or eliminated, there are strong reasons for assuming that a combine is in operation. In the case in review there is a complete absence of any semblance to an organization of any kind on the part of the tobacco growers for an orderly marketing of leaf tobacco, except in the case of a few companies or syndicates growing tobacco on a large scale. The absolute dependence of the growers on the tobacco companies under these circumstances entitles them to open and above-board treatment and a fair price for their product. That the confidence heretofore placed in the tobacco buyers no longer exists is evident from the allegations made and the demands for an investigation, and further, from the steps taken in the movement now under way to form a co-operative marketing organization to process and dispose of future crops.

Reference has already been made to the unanimity of the tobacco companies which featured the delay in beginning buying operations, to the absolute secrecy which was maintained as to the time of opening the market, and to the inevitable effect on the morale of the growers, making them easy victims for the methods pursued whereby many crops were purchased for less than half the price paid for others.

The long delayed opening of the market which took place on October 26 had the appearance of collusion in deferring the time of buying, as the principal buyers were in the field almost simultaneously on that date. The approximate average of prices paid from day to day from the date of opening the market until November 7, when the average price had decreased to about one-half the average of the first day's purchases, together with the fact that an increase took place in prices paid from that date until November 21, when the prices were nearly as high as the average at the opening of the market, although the best quality of tobacco is usually purchased first, also suggested an understanding among buyers which was operating against the interests of the tobacco growers.

Information as to the operations of the tobacco companies was obtained through personal interviews with the growers and with officials of the various companies, also from returns submitted by the companies in response to requests made for certain information under the authority of Section 14 of the Combines Investigation Act. Correspondence between companies was a particularly important source of information, one remarkable feature of such correspondence being the absence, with one notable exception, of any reference to prices of raw leaf tobacco.



The fact that prices prevailing in Canada generally determine the price paid on the export market for Canadian tobacco has an important bearing on the whole question that must be taken into consideration. It would appear, from copies of correspondence furnished, that British tobacco manufacturers were kept well informed as to the quality and prospective yield of the Ontario 1932 flue-cured crop, in which they had shown an early interest as a result of the satisfactory quality of imports of the 1931 crop.

In confirmation of the foregoing, the following extracts from correspondence may be submitted.

A letter from the Leamington Tobacco Sales Corporation, Limited, Leamington, Ontario, under date of August 4, 1932, to Gallagher, Limited, Belfast, Ireland, contains the following:—

From information which we have received which seems to be quite reliable, the British Leaf Tobacco Company of Chatham will be in the market for five million pounds of flue-cured tobacco this year. Last year they handled about one million pounds as an experiment which seems to have proven satisfactory.

The following extract from a letter, referred to elsewhere, written by Mr. H. P. Buell, Vice-President of the Imperial Tobacco Company of Canada, to Mr. R. C. Harrison, of the British-American Tobacco Company, dated August 22, 1932, is most significant:—

I will be visiting the southern market next week and the week following. I will make it a point to see Mr. Reed, and I hope that he will let me know if the buying of their Canadian requirements will be entrusted to me . . . I have heard that several of the independent English manufacturers have already placed their orders with local Ontario dealers for purchases from the new crop.

These letters indicate that the Imperial Tobacco Company of Canada, as well as other companies, was aware two months in advance of the opening of the Canadian market that a number of British manufacturers would be in the market for Canadian tobacco. This is in rather striking contrast to the statement received from the Imperial Tobacco Company of Canada in response to a request for an explanation as to the delay in opening the Canadian market in 1932 (see section of this report entitled "Holding Off the Market"). In an interview which I had with Mr. H. P. Buell on February 27 he stated that his company's holding off the market in October last was due to the arrangements they were making to find out how much the Imperial Tobacco Company of Great Britain and Ireland intended to purchase from the 1932 crop.

It appears to have been known to the trade early in August that the British Leaf Tobacco Company, which is a subsidiary of the Imperial Tobacco Company of Great Britain and Ireland, would be in the market for a substantial quantity of tobacco. It is also evident from Mr. Buell's letter to Mr. Harrison that the Imperial Tobacco Company of Canada was apparently desirous of having the buying of this tobacco entrusted to them.

That this was done is acknowledged in a statement received from Mr. W. Milligan, President of the British Leaf Tobacco Company, located at Chatham, Ontario, where this company has a modern processing plant. It might be mentioned that the British Leaf Tobacco Company has maintained for a number of years a competent buying organization for the purchase of Burley tobacco in Ontario. In response to questions submitted in this investigation under date of December 12, Mr. Milligan states, in a letter dated December 24:—

We bought about 3,500,000 pounds from the 1932 crop. The Imperial Tobacco Company of Canada bought for us on a commission basis. All

tobacco was allotted to us in the barn before delivery was made. The average price paid for this tobacco was 16·81 cents per pound.

The Imperial Tobacco Company of Canada, by this arrangement, not only kept out of the market what might otherwise have been a competitor, but received a commission of \$35,000 on the transaction.

There is evidence that the delay in opening the market was not only unnecessary, but had the effect of adversely influencing the price and was against the interests of the growers. The responsibility for this delay, however, cannot be placed entirely on the Imperial Tobacco Company of Canada, notwithstanding the apparent existence of an unwritten law permitting that company to open the market and set the opening price.

The arrangement made by the Imperial Tobacco Company of Great Britain and Ireland with the Imperial Tobacco Company of Canada, by which their requirements were purchased under a contract between the latter company and the growers, was in itself sufficient to arouse suspicion and to justify the action taken by the applicants in calling for an investigation into the charges of collusion for the purpose of lessening competition among buyers. The large surplus of tobacco grown in 1932 over the requirements of Canadian tobacco manufacturers had an influence on marketing conditions that must be recognized. When the buying of leaf tobacco finally began the tobacco growers with the exception of a few of the companies or syndicates growing tobacco on a large scale were absolutely without any facilities of their own by which their tobacco would be taken care of and marketed. As a consequence they were wholly dependent on the tobacco manufacturers both in regard to time of buying and prices. The tobacco manufacturing companies, having a knowledge of the quantity of tobacco to be sold and also what quantity would be required by them for manufacture in Canada, apparently took extra precautions to safeguard themselves by offering very low prices for their requirements, looking forward to the possibility of their being a large surplus of tobacco in the growers' hands after their requirements had been met, which surplus might eventually be sold at very low prices.

It is quite obvious that the control of this surplus by the tobacco growers, together with an orderly and systematic method of marketing the same, is most important; and would place the tobacco grower in a more secure position by which he would be enabled to exercise some reasonable degree of control over the price not only for domestic purposes but also for export as well, and assure him a fair market price for his tobacco.

All of which is respectfully submitted,

Yours faithfully,

(Sgd.) DONALD SUTHERLAND.

Mr. E. C. SCYTHES, Simcoe, called and sworn.

*By Mr. Sommerville:*

Q. Have you a statement, Mr. Scythes?—A. We have not prepared a brief for submission to this committee, but I have a brief that was prepared by the members of the Tillsonburg Co-operative and the Flue-Cured Tobacco Growers' Association and presented to the special committee appointed by the Ontario Government. They called us before them and we presented a brief which is a comprehensive statement of the conditions in the tobacco industry, and if the members of your committee are not familiar with it, I would like to read that through.

Q. I have seen some of the features of it and I would very much desire that the members should have the benefit of your experience and knowledge as



shown in that brief. First of all, Mr. Seythes, what is your position?—A. I am President of the Victoria Tobacco Plantations.

Q. And where are you located?—A. At Simcoe.

Q. How many plantations, or farms, have you; what acreage have you in tobacco?—A. We had under cultivation in tobacco 469 acres in 1933.

Q. What volume of production did you have?—A. Of the 1932 product?

Q. Yes?—A. We had a very much reduced crop in 1933. Conditions were very unfavourable and the yield was very much lower than in previous years, so that our returns from the 1933 crop—which are not determined yet because we have only sold one crop out of a total of ten—

*By Mr. Kennedy (Winnipeg):*

Q. What was the yield?—A. The total yield of the 469 acres was approximately \$329,000.

*By Mr. Sommerville:*

Q. How long have you been growing tobacco in that field, your company?—A. Six years.

Q. And have you had a somewhat similar acreage each year?—A. We started with under 200 acres, and we have been expanding it gradually each year to 469 acres.

Q. Will you just be good enough to present your statement?—A. I may state, Mr. Chairman and gentlemen, that I am also a Director of the Flue-Cured Tobacco Growers' Association, and a member of the Ontario Market Committee which was set up last fall. I have discussed with several members of the Committee the Sutherland report which we only saw very recently, and we think it is a very comprehensive report. It shows painstaking work on the part of Mr. Sutherland, and it is a very accurate and clear-cut statement of certain conditions that prevail in the business.

Q. I understand your statement was prepared as a result of a conference of tobacco growers?—A. When we were requested to appear before this special committee two meetings were held. We had very little time to prepare this report. One meeting was held at Tilsonburg—a joint meeting of the two organizations—and another meeting at Simcoe. A committee was appointed to draft this report and present it to the special committee at Toronto.

Q. That is, a committee of the Ontario Legislature?—A. Yes. This is the report as presented:—

The present condition of the tobacco growing industry in Canada is to say the least in a very precarious position. A large number of our growers, especially in Western Ontario, have great difficulty in paying bare costs of production and in hundreds of cases have been unable to pay taxes. It is only a few years ago that the tobacco industry was one of the bright spots of Western Ontario farming but at the present time, with present prices of raw leaf it is very doubtful whether this industry can be carried on much longer without becoming a total loss to the tobacco farmers of Western Ontario.

The amount of money invested by the growers of flue-cured tobacco alone in Western Ontario in land, buildings and equipment is around \$20,000,000, which if invested at 5 per cent interest would produce a revenue of \$1,000,000; whereas, the total amount of money invested by the tobacco manufacturing concerns in Canada in land, buildings and equipment in 1932 was around \$11,252,422, which if invested at 5 per cent interest would produce \$562,621.10. In other words, all the tobacco manufacturing concerns of Canada have only little over one-half as much money invested as fixed capital compared to that invested by the flue-cured tobacco growers of Ontario alone.



*By Mr. Factor:*

Q. Your figures show that only \$11,252,422 is invested by the tobacco manufacturers in Canada. Where do you get those figures?—A. I believe our secretary took those figures from the official statistics of the Department of Trade and Commerce. That refers to fixed assets only. We are not referring to inventories of stocks in trade, working capital, accounts receivable, and, of course, the working capital of manufacturing companies is very much larger than that.

*By Mr. Sommerville:*

Q. Those are the fixed assets?—A. Yes, by the tobacco growers of Ontario alone. "But at the same time the tobacco manufacturers have enjoyed continued profits through years of prosperity and depression. In fact, the tobacco manufacturers are one of the very few businesses which have been able to show large profits during the present depression. To give an idea of the amount of profit made by tobacco manufacturers it can be proved that the net published profits of this business are more than has been paid to the tobacco grower for the entire crop." That is the net profits as shown—

*By Mr. Sommerville:*

Q. The admitted net profits?—A. The admitted net profits and the published net profits.

Q. More than in each year?—A. More than in 1932 and in recent years. "On the other hand, since 1928, when the average price paid in western Ontario for flue-cured tobacco was 31 cents, this average price in 1932 was reduced to about 15½ cents per pound, or only one-half of what it was in 1928."

The CHAIRMAN: Just a moment. Your point is that the amount earned by the tobacco companies in profits exceeded—

The WITNESS: —the total amount paid the growers for their product.

Mr. FACTOR: In the year 1932.

The WITNESS: In the year 1932, yes. I think that would apply for 1933 also to a much greater extent than 1932, because the crop was a much smaller one than in 1932. "On the other hand, the price paid by the consumer for cigarettes, smoking tobacco, etc., has practically remained stationary except for the reduction in the price of cigarettes which was due to a cut in excise duties and was not caused by any reduction in the price by the manufacturer. This steady price of manufactured tobacco to the consumer has been maintained in spite of the fact that the cost of raw leaf to the manufacturer has been reduced by one-half. While all other farm products are lower in price to the farmer, the consumer is paying a much lower price for all farm produce except tobacco. The tobacco growers have been told that they are producing too much tobacco but at the present time the growers have no information as to the amount of tobacco held in stock by manufacturers.

*By Mr. Sommerville:*

Q. Before you leave that paragraph, your argument is 'that the price of the finished tobacco to the consumer has not changed in the slightest?—A. I would not say in the slightest. There have been lower priced brands put on the market, but the price of cigarettes, which are the big selling commodity for which tobacco is used, has not varied.

Q. While the price paid to the producer—A.—has been cut in half.

Mr. H. B. SMITH: May I interject and say that at the time of the lowering of the excise, cigarettes were increased by five for twenty-five cents.

**THE WITNESS:** Well, the price was reduced with the lowering of the excise. The excise was reduced from \$6 a thousand to \$4 a thousand, which was a reduction of 33 per cent, and the retail price was reduced 25 per cent. They gave five cigarettes more for 25 cents—more than formerly—but that reduction was made through the reduction of the excise. The manufacturers' profits have not suffered in any way. In fact, it looks as they were benefited.

"Although there are certain statistics published by the Department of Trade and Commerce at Ottawa, these figures do not give a true picture of the situation. Therefore, how can the tobacco grower intelligently plan his operations, when he is absolutely in the dark as to the amount of tobacco in stock or held over from one year to another. Storage stocks of butter and eggs and other farm products are published periodically and it is of just as vital interest to the tobacco grower to have the same information on tobacco."

I might state that so far as the English market is concerned, we have very complete information; we know from month to month exactly the amount of tobacco on hand and the amount released for home consumption.

*By the Chairman:*

**Q.** Has there been any effort to get this information?—**A.** I believe there has. We have made several requests to Mr. Major, who has procured very excellent statistics in some respects, but he has reported that he has been unable to get the information we have never received.

**MR. SOMMERVILLE:** I understand that this information is available in the United States quarterly.

**THE WITNESS:** I think they know exactly in the United States what stocks are on hand; they are reported.

**THE CHAIRMAN:** You think the British Government publishes those statistics; is that right?

**THE WITNESS:** The statistics we get are published by a private broker, but he obtains the figures through the British Government.

*By Mr. Sommerville:*

**Q.** You say that if the statistics were published as to the amount of tobacco held in stock and the carry-over, the grower would be in a better position both to know what he should produce and also to bargain as to his price?—**A.** It would certainly be very useful information. We would know if there is too much tobacco being produced, and how much it should be cut down. We will touch on that phase of the matter later. How it could be done is another question. "When it is realized that the Government of Canada enjoyed a revenue of over \$42,000,000 from the tobacco industry in 1932, mainly through the efforts of the tobacco farmers of Canada, who after all produce the greater proportion of the raw leaf that is used in the business, the growers feel they are entitled to a larger share of the tobacco consumer's dollar."

*By Mr. Kennedy (Winnipeg):*

**Q.** When the excise was lowered on tobacco did it result in any benefit passing on to the grower?—**A.** We have seen no benefit from it.

**MR. SOMMERVILLE:** Since then prices have been cut in half?

**THE WITNESS:** Yes.

*By Mr. Kennedy (Winnipeg):*

**Q.** I will go a step farther. You have intimated how much Canada gets out of revenue through excise. If it were further reduced it would not follow that that would be any advantage to the grower?—**A.** This does not work out so far.

Q. Under present marketing conditions?—A. No. Apparently, that is not what is wrong with the industry.

Q. It needs something more than lowering of the duties on tobacco to carry the benefits to the producers, is that it?—A. Yes. We co-operated with the manufacturers and a deputation of growers came to Ottawa to request the government to make a reduction in the excise. We were requested by the manufacturers to do that and we were glad to co-operate. They said they would help us. But it has not worked that way; we have not seen any advantage so far. It may have increased the sale of cigarettes to some extent.

Mr. SOMMERVILLE: And that has increased—

The WITNESS: —the demand for our product.

*By Mr. Edwards:*

Q. At a reduced price?—A. Yes, the demand has been at a reduced price, but I would not say the reduction in the excise has been responsible for the reduced price.

Q. As to the reduction in the excise in connection with an additional five cigarettes for 25 cents, for instance, one forms the impression that the manufacturer is passing that benefit on to the ultimate consumer, but the producer is not getting any benefit from it; is that the idea?—A. The increased number of cigarettes—five for 25 cents—of course, the reduction in excise fully offsets the cost of those five cigarettes.

Mr. KENNEDY (*Winnipeg*): The only difference is you have been able to get five more cigarettes.

The WITNESS: Yes. The consumer has benefited, and we are favourable to it.

*By Mr. Sommerville:*

Q. Your information is that that has been offset by the reduction in the excise?—A. Yes.

Q. And that in all probability the manufacturer has made more profit since the reduced excise than he would make under the former excise?—A. He received a reduction of 33 per cent, and the retail price was reduced 25 per cent.

*By Mr. Factor:*

Q. And the revenue of the country has decreased from \$42,000,000 to \$39,000,000?—A. I would not like to make the statement that the fall in revenue is due to the cut in the excise. I think, even had the former rates of excise been maintained, you would have had a fall in revenue because of the conditions. There has been a falling off in the consumption of manufactured cigarettes and greater consumption is the use of tobacco—

The CHAIRMAN: Roll your own.

The WITNESS: Yes, roll your own. So that the revenue on tobacco—the tax on tobacco is 20 cents whereas on cigarettes it is \$4. “At the present time American flue-cured tobacco is imported into Canada to the extent of 9,000,000 pounds and from published statistics it appears that instead of the Canadian tobacco growers enjoying the benefit of the duty for the manufacturer. Over ten years ago when the production of Canadian flue tobacco was about 5,000,000 pounds, a request was made to the Dominion government to increase the duty on American flue-cured tobacco entering Canada, but at that time it was pointed out that the Canadian grower was not producing enough to supply the home market.



*By Mr. Sommerville:*

Q. The importation amounted to about 9,000,000 pounds last year. That is about half the importation of around 1927, is it not? There was about double the amount imported about six years ago?—A. We did not have the figures as to flue-cured tobacco six years ago. We know that the amount has been coming down, but the figures were bulked together until, I think it was, two years ago that we started to get the figures on flue-cured tobacco.

Q. The figures will be shown in tables number 3 and 4 in exhibit 105. According to this table the total importation of raw leaf from the United States was 17,094,943 pounds of all types, and last year the total from the United States was 8,950,432 pounds flue-cured. For 1927 the amount of flue-cured tobacco imported was 13,036,511, while for 1932 the importation was 8,832,160? A. "At the present time there is enough Canadian flue-cured tobacco being produced to supply the home market, but instead of enjoying the benefit of our home market we are exporting part of our crop and importing the same type of tobacco from the United States."

*By Mr. Factor:*

Q. What is that? What is the reason for that?—A. Well, the reasons given to us by the manufacturers are that once they establish a brand they are very loathe to make any change in the brand. The taste of the public—they are accustomed to a certain brand of tobacco, and if it is blended with imported leaf it costs a lot of money to put the brand on the market and they do not want to interfere with it.

Q. In other words, they require the importations of that particular brand in order to blend the cigarette?—A. Their blends were built up very largely on imported tobacco until the industry reached its present stage. We did not produce enough tobacco for the requirements, and their blends were mostly—particularly cigarettes—mostly imported tobacco.

Q. Could not the manufacturer get the same result from Canadian-grown tobacco now, without blending it with the imported tobacco?—A. We maintain they could if the tobacco were aged the same as the imported tobacco. The British manufacturers say that tobacco is not really in its best state of maturity until it is three years old—has had at least three summer sweats—and the finished blends are represented as aged tobacco.

*By Mr. Young:*

Q. Do these manufacturers keep that tobacco that they buy for three years before they manufacture it?—A. Well, the British manufacturers—no doubt the larger manufacturers do. They carry the stocks and mature them themselves. The smaller manufacturers have not the capital to do that, and they are able to buy American tobacco that is aged.

Q. What about the Canadian manufacturers?—A. The larger or stronger Canadian manufacturers do that. That is the only way they have been able to obtain supplies. There have been no aged tobaccos in Canada; there has not been any tobacco carried over here—flue-cured—from one year to the other.

MR. SOMMERVILLE: Except by the manufacturers.

THE WITNESS: Except by the manufacturers; but none in the hands of the growers. There is still in Canada plenty of last year's crop unsold at the present time, but when I say that none is carried over I refer to the time the next crop is ready for acreage, and the stocks have all passed out of the hands of the growers.

MR. YOUNG: There are no price quotations for old tobacco now?

The WITNESS: No. It has not been possible to buy old tobacco in any quantity in Canada up until the present time.

The CHAIRMAN: Proceed with your brief.

The WITNESS: "The argument has been put forth, of course, that the manufacturer is obliged to use a certain proportion of American leaf, but this has never been proved, and if there was no American leaf in Canada the consumer would have to smoke Canadian tobacco. In fact there is being sold to the public at present tobacco mixtures and brands of cigarettes which contain nearly 100 per cent Canadian leaf.

"Owing to the fact that the tobacco growers have so little information regarding the industry it is very difficult to present a case in any detailed form but the growers would like your committee to do everything possible to get the necessary information once and for all which will give everybody a true picture of the situation. However, they would like to make the following suggestions."

This was our recommendation of these two organizations to the committee at Toronto, and we would pass on the same recommendation to the committee. They asked for:—

A full investigation of the whole tobacco industry of Canada. And I presume this is the result, and also the result of the publication of the record:—

Publication of detailed statistics showing the amount of the different types of tobacco, both domestic and imported, used in Canada; also, stocks of all tobacco, domestic and imported, held by manufacturers; in other words, the publication of detailed statistics showing the actual state of affairs.

Representation to the British Government regarding the question of the use of the word "Virginia" in the sale of manufactured tobacco in England (at the present time there is a law forbidding the use of the word "Virginia" on any package of tobacco or cigarettes unless the tobacco used therein actually comes from Virginia). It is a well-known fact that in connection with the above act that tobacco which comes from Carolina and Georgia comes within the meaning of the act, while Empire tobacco could not legally be used. Because Virginia produces a very small proportion of the tobacco of that name. North Carolina produces probably two-thirds of all the flue-cured tobacco in the United States.

The CHAIRMAN: I suppose it is a registered name?

The WITNESS: Virginia is a generic term.

The CHAIRMAN: I would like the witness to say whether he knows that or not.

The WITNESS: I could not say whether it is registered or not. It is a word, I would say, that by long continued use has been accepted as a name for a type of tobacco.

Mr. SOMMERVILLE: And the flue-cured tobacco that you grow, is that Virginia flue-cured tobacco?

Mr. EDWARDS: It does not mean that it is grown in that area.

The WITNESS: No; not that it is indigenous to Virginia. North Carolina produces two-thirds of the flue-cured tobacco.

*By Mr. Edwards:*

Q. But the public associates it with coming from there?—A. Hon. Col. Kennedy told me of a conversation he had with one of the directors of the

Imperial Tobacco Company of Great Britain, and he mentioned this very fact, that this was an objection to using Canadian tobacco. He said, "Your Virginia tobacco does not come from Virginia. It comes from the Carolinas and Georgia." He said, "Oh, is that so? I didn't know that. I thought it all came from Virginia."

Q. It is on the same principle as the saying that all colonels that come from Kentucky are not colonels?—A. I dare say.

*By Mr. Factor:*

Q. What is the meaning of this on a package of cigarettes: "Straight cut Virginia, manufactured by the Imperial Tobacco Company Limited"?—A. Well, that is describing a type of tobacco.

Q. Has that cigarette got a mixture of Virginia tobacco in it?—A. Well, I don't know what cigarettes you are talking about.

Q. It is called the "Grey" cigarette, straight cut?—A. I can't give evidence as to what is done by the different manufacturers of cigarettes. That is the manufacturers' secret.

Mr. SOMMERVILLE: We will get something of that later on.

The WITNESS: Yes, it is the manufacturer's secret. In any case, we would ask that steps be taken to see that Canadian tobacco will not be discriminated against for use in English brands because of that ruling or law or decree regarding Virginia tobacco. We also ask for an investigation of the distribution of the tobacco consumer's dollar.

*By Mr. Sommerville:*

Q. You think you are not getting all of your share?—A. Yes, we think we are not getting our share. We ask also for the publication of the Sutherland report in detail, which has since been done. We ask the Dominion government to place an embargo on American tobacco seed owing to the prevalence of tobacco diseases in the southern states, and the fact that there is plenty of first-class Canadian-grown tobacco seed.

*By Mr. Young:*

Q. Just what evidence have you of that, Mr. Scythes, as to diseases?—A. I would much prefer that Mr. Freeman or Professor Leitch would give evidence on that point, rather than myself. Mr. Freeman is well qualified, I would say, to give evidence on that, having been former head of the tobacco station and a grower of very wide experience. My experience has been more concerned with the business end of it, the administration and business end of it.

*By Mr. Sommerville:*

Q. Will you continue?—A. We recommended also that the Dominion government be petitioned to pass an act embodying conditions similar to the British Marketing Act. We felt that that Act contained provisions that would enable the setting up of regulatory measures through which, perhaps, a large amount of the abuses in this industry could be overcome.

Q. Through some form of marketing control?—A. Proper method of control. If there is over-production, that could be regulated by licensing the growers.

Q. Your tobacco industry is confined to certain well-known areas, is it not?—A. Norfolk county and Essex county, with Norfolk county having the preponderating supply, Norfolk county producing probably about 2,500,000 to 3,000,000 pounds last year.

Q. Norfolk county produced 2,500,000 to 3,000,000 pounds last year?—A. Norfolk county would produce, I would say, between 80 and 90 per cent of all



the flue-cured tobacco produced. When I speak of Norfolk county, I speak of the border sections also of Elgin and Oxford, all known as the new belt district.

Q. That new belt district is a well-defined area?—A. Yes.

Q. Of land suitable for tobacco growth?—A. Yes.

Q. Having produced 80 to 90 per cent, you say, of the flue-cured tobacco?—A. That is grown in Canada.

Q. And then in Essex, in that area, what is the major crop there—burley?

—A. They also produce some flue-cured tobacco. That was known as the old belt, and they at one time produced as much as 6,000,000 or 7,000,000 pounds, but that amount has decreased to probably less than half that now. They produce a lot of burley in Essex county, and also in Kent county.

Q. Essex and Kent produce burley leaf?—A. Yes.

Q. Burley leaf is used largely for what purpose? Is that for smoking, heavy tobacco?—A. Yes, it is used for smoking tobacco, and I believe a type of burley is used also for cigarettes, a light burley. As we don't grow burley tobacco, I am not so well qualified to speak on it.

Q. We have someone who will speak on that. You think that, in your industry, there should be some form of marketing regulatory board that could cure the ills of the growers?—A. Yes. We go on to say, "Full government support for any plan which the growers may decide upon for the control of production of tobacco such as the licensing or registration of all tobacco growers so that the production of this farm produce can be placed on sane business lines."

Q. Yes, a measure of control within your own ranks?—A. Within our own ranks, yes.

Q. Now, Mr. Scythes, what would be the functions of such a marketing board, in your opinion? What could they do in the industry?—A. Well, I think they could carry on a very useful work. I might state that until last season the individual grower had no means of determining the value of his crop, other than through his own opinion—according to his own opinion. The buyers for the large companies visit the farms regularly during the curing season and inspect every kiln very carefully, and they grade the crop, they make an estimate as to the way that crops will grade.

Q. The buyers do?—A. Yes, and they buy really on grade; although it is called a barn-run system—they give you a flat price for your crop—the crop is really, in my opinion, bought on grade. These buyers are able to determine pretty accurately how that crop will grade out. The grower was not competent to do that. As conditions grew worse in the industry, the growers were compelled to get together and take some steps and try and protect their interests. We saw prices dropping in 1932; we saw the market open at 32 cents; we saw the buying holding back, other buyers holding back; the Imperial Tobacco Company opened the market and they bought very, very little. It was done very cautiously. They had stayed out of the market. They had spread—at least, propaganda was spread that had a very disastrous effect on the morale of the growers; and then we saw prices just sag from an opening price of 24 cents to where crops were bought at 11 cents and 10 cents and 13 cents.

*By the Chairman:*

Q. You are speaking of 1933?—A. 1932. I am speaking of 1932, the conditions on which this report is based.

*By Mr. Sommerville:*

Q. You say crops bought as low as—?—A. As low as 10 and 11 cents.

*By Mr. Kennedy (Peace River):*

Q. How did those prices compare with the cost of production?—A. The cost of production, of course, depends very largely on the yield per acre, and on the conditions, the cost of supplies. It would vary from year to year.

*By Mr. Kennedy (Winnipeg):*

Q. Mr. Scythes, with reference to your statement that the buyers can pretty well grade the tobacco, at what stage in the maturity of the plant is it bought?—A. Oh, well, it is bought after it is all cured and after it has been in the barn for some two or three weeks.

Q. There is nothing else that can happen to the plant after that period that will lower the grade—not ordinarily?—A. Oh, not ordinarily. There might be too much dampness from rain leaking in on it; but the tobacco improves a little while it is still in the barn, if it is packed properly.

*By Mr. Kennedy (Peace River):*

Q. What would you regard as a fair price for the last three or four years?—A. What would I regard as a fair price that the grower should get for his product?

Q. Yes, approximately?—A. I think a price, a range of prices between—well, we were not any too prosperous when the market prevailed at 40 cents a pound. If we had good crops, a good season, we were able to make a small return on capital at 40 cents a pound.

*By Mr. Young:*

Q. You say they buy, to all intents and purposes, on grade; but in determining the grade they make periodic visits to the farmers and inspect the crop at different stages of maturity?—A. Yes.

Q. Is it not possible to look at the cured product and grade it? A good grader could go into your barn when your tobacco is ready for sale and tell you the grade of it, could he not?—A. Oh, the grading that is done later on is done by handling each leaf individually, of course. The buyer inspects each kiln of tobacco. The tobacco is cured in kilns and those kilns contain perhaps 1,500 pounds of tobacco; and during the four days that that kiln is under cure, he may visit that crop four times, may see that kiln four times to see how it is being cured.

Q. It would not be practical to set up a grading system, and grade tobacco like you grade other things?—A. Oh, yes, tobacco is all graded at a later stage.

*By Mr. Sommerville:*

Q. What is the fact? Does the buyer not visit the farm when the crop is being grown?—A. Yes, he visits the farm.

Q. Just to keep in touch with the crop?—A. Yes.

Q. And when it is harvested, he visits to see how it is being cured?—A. Yes.

Q. And that is all before marketing begins?—A. Yes.

Q. So that he has notes on the product of each farm?—A. Yes.

Q. On what he regards as the quality of each product?—A. Precisely.

Q. Of each farmer's product; and then on marketing day, he can go to those which he regards having the highest grades and buy at once? Is that not the object of the visits from time to time by the buyer?—A. Yes, they make an appraisal of each crop.

*By Mr. Factor:*

Q. What is the object of grading when you are getting a flat price for your product?—A. That enables them to determine the value of the crop, to make an appraisal of the value of the crop by their standards.

*By Mr. Young:*

Q. Even if they had been through this, had been making these visits, and keeping track of your crop through every stage of development, when they go to buy, they would have to rake out your whole barn and examine it all, would they not?—A. Yes, they would have to turn over the barn of tobacco to form some estimate on it, but they could not do that nearly so accurately.

*By Mr. Kennedy (Winnipeg):*

Q. There is surely no objection to their visiting from time to time, is there? —A. I have not heard of any growers objecting.

Mr. SOMMERVILLE: Oh, no.

*By Mr. Edwards:*

Q. Is not that a plan that has been adopted by all tobacco buyers, for instance buyers in Cuba? I was down there one time and met a buyer on the boat, and he said it was his fourth trip that season?—A. I am not familiar with the method of selling in Cuba.

Q. There is nothing objectionable about that practice, is there?—A. Oh, no, I am not stating that there is any objection.

Q. In fact it is desirable?—A. What I started out to say was this, that a grower had no means of appraising his crop. He had his own opinion as to his crop, and when this marketing board was set up, we decided that one of the services we could render to the grower that would be beneficial to him would be to give him an appraisal of his crop; and we offered that service to the grower, and many of them took advantage of it. They had a report supplied by the association inspector as to the value of their crops. If the market opened at 24 cents —we knew once the market is opened that there is no possibility of raising it.

*By Mr. Factor:*

Q. What benefit do you get from getting a report of the grading when the price is fixed?—A. If a grower was offered 14 cents for his crop and he has an appraisal from the association that it is worth 19 cents, he knows not to sell. We advise him, if he is a member of the association, not to sell unless he gets a fair price.

*By Mr. Young:*

Q. A marketing board of your own association is in existence already?—A. Yes.

Q. You have such a board?—A. Yes. This board was set up just a year ago.

*By Mr. Sommerville:*

Q. That is the result of the conference with the Department of Agriculture at Toronto?—A. Yes, the result of many conferences with the department at Toronto.

Q. As a result of the conditions which you say were growing worse? —A. Yes.

Q. —conferences took place with the Department of Agriculture?—A. Yes.

Q. And out of that grew these arrangements, that there is a board and association set up?—A. Yes.

Q. And that that association would function for certain definite purposes, one of which would be to employ a certain man who was familiar with the grades of tobacco?—A. Yes.

Q. And to have this man go and grade a crop for the farmer, to give him an appraisal of the value of his crop?—A. Yes.



Q. So that he would have some idea of its value?—A. Yes.

Q. When the buyer came to him?—A. Exactly.

Q. That was the object?—A. Yes.

Q. And in that respect the farmers have been taking advantage of that service in the past year?—A. Many of them have, yes.

*By Mr. Young:*

Q. Do these men go through your crop the same as the company buyers do, from time to time?—A. Yes, the association inspector works just in the same way as the company buyer.

*By Mr. Kennedy (Winnipeg):*

Q. Will you clear this point up for me: is it your contention that the growers themselves are not competent to judge of the grades of their tobacco?—A. Many growers are competent; but the grower, when he is working with a crop, has not perhaps the same opportunity, and he has not an opportunity of comparison.

Q. Is it because of lack of experience in the growing of tobacco?—A. Many of these growers have had a life-long experience.

Q. I have in mind the wheat growers in the west, those farmers who grow wheat. They could tell the grades of wheat just as well as the best government inspector that ever got off the train?—A. Yes.

Q. They know, within a very close range, whether that wheat will grade No. 1, No. 2 or No. 3, or what it will grade?—A. Yes.

Q. And I was just wondering if there was something inherent in tobacco growing that makes it impossible for the growers to grade it?—A. No. I would say many growers are able to determine the value of their crop, but it is a great advantage to the grower to have an independent inspector come along and grade his crop and say, "According to the association standards your crop is worth so much money, your crop should bring so much money."

Q. Your trouble is not there; if the market is limited, if there is a combination or if you are more or less at the mercy of the buyers, what some person else says it would grade at will not determine what you will get for it?—A. Probably what led up to this, we knew in 1932 some crops were sold as low as 14 and 15 cents. Those were just as good as a few crops that were sold at 24 cents—a wide fluctuation in the market. This was one means of trying to correct the fluctuations in the market. We had panicky conditions in 1932. I have explained how propaganda was spread until the growers were in a state of panic, and how the market broke, and we appealed to Colonel Kennedy. We went to Colonel Kennedy and said, "Something has to be done; prices are dropping simply out of sight." Colonel Kennedy said, "What do you want?" We said, "We must have a fund so that we can handle the growers' crops and take the crops off their hands, where they can't get a fair price, and grade these crops and put them in hogsheads so that the tobacco can be kept and sold in an orderly fashion. At least, we must have some support to tide us over this emergency." And we received that support from the Ontario government. Once the announcement was made that a system had been evolved whereby the growers could have their crops graded and processed, so that they didn't need to sell, the market started to stiffen.

*By Mr. Sommerville:*

Q. When was that?—A. That was in 1932. Mr. Sutherland's report covers that.

Q. I observe that after 9th November, 1932, two weeks of selling, the price had dropped from 22·40 average to 14·50; then it started up again to

11·50, 14·50, 14·50, 17·57, 18·50, 16·26, and 18·24; you say that was because of certain arrangements made?—A. We feel it was the effect of the announcement that the Ontario government had offered this service to the growers—this plan to the growers; distorted this plan; that that had the effect of stimulating the market. In fact, we are quite satisfied it did.

Q. In other words, the market that year did not continue to carry through to the lower levels consistently the whole period of the market?—A. No, it closed at much better levels than it had originally. At one time it went down very fast.

Q. And that was due to these services that you are able to arrange to give the farmers themselves. You have referred to some arrangement by which the farmers' tobacco could be processed, up to the year 1933 there was no system by which the farmers could process their tobacco for the export market, was there?—A. In 1932, when we received the promise of support from the Ontario government, they agreed to advance enough money or to arrange a credit so that we could pay for the packing charges on the tobacco. We did not think that sufficient, because we knew that the growers could not hold their crop unless they got advanced cash returns out of the crop. We were unable to arrange for a credit to give crop advances at that time, and the crop was sold.

Q. For 1932?—A. The 1932 crop was practically all sold. Some of the tobacco was processed and held, and better prices obtained. We ourselves held a good portion of our crop and obtained a better price by doing so; by having it put in hogsheads and having it cured.

Q. Have you any idea what would happen if you all held back the whole crop?—A. If we had processed the whole crop and sold it all cured?

Q. Yes.—A. To give an answer to that would be a very speculative question.

Q. To hold it back might be speculative also?—A. Yes, it might be speculative. There are some growers of the opinion—there are two schools of thought; one school is when we reach a time that all our tobacco will be cured, sold on a cured and processed basis; on the other hand, the largest buyers, the Imperial Tobacco Company, have always bought under the other plan; and when a satisfactory price is paid, it is a very satisfactory plan for the grower.

*By Mr. Kennedy (Winnipeg):*

Q. You made a very interesting statement there, if it be true—I am not saying it is not; you intimated that without American tobacco we would have just as good a product; have you any grounds for that, or is it merely a hope?—A. I have been informed by people who know something about manufacturing tobacco that with an aged Canadian tobacco they can produce a first-class cigarette.

Q. Have you any knowledge of it yourself?—A. I have no knowledge of it personally, I am a tobacco planter.

*By Mr. Sommerville:*

Q. What about the method of buying by the companies? How do they buy your crop? Is there real competition among them in the buying of your crop?—A. Well, sometimes there appears to be some competition, but generally you receive an offer from one buyer, and if it is a satisfactory offer you take it; if it is not a satisfactory offer you might later have one from another buyer. Last year the buying stopped about the middle of December. There were no crops sold after the middle of December, very few at least. The Imperial went out and bought a little cured tobacco later on, but they stopped buying for a time and then bought just a little. Some of the other buyers discontinued buying altogether.

*By Mr. Factor:*

Q. I see in the Sutherland report there is a reference to the fact that these buyers meet together at some hotel in Tillsonburg—sort of a prayer meeting, I suppose—what happens there; do you know?—A. Tillsonburg is a sort of a centre, the best hotel is there in the district and it is a nice place to stay.

*By Mr. Sommerville:*

Q. The operation is commenced when someone begins to buy, as the Sutherland report indicates; the Imperial Tobacco Company have been in the habit of opening the market for years?—A. All the growers are waiting for the opening of the market, as they call it; there really is no opening of the market, it is done just as Mr. Sutherland states in his report.

Q. The Imperial goes out and buys, that sets the prices; do any other buyers exceed that price, or is the purchasing done at that price or less?—A. I have not known of any buyer exceeding the price set by the Imperial during my experience. I have known the other buyers to pay more for a crop than perhaps was offered by the Imperial, but I do not know of any buyer exceeding the top price that the Imperial Tobacco Company opened the market at.

Q. What do you say as to Mr. Sutherland's finding that the price relatively drops as the buying goes on, from that top price?—A. Well, the inference is that the top crops are bought the first day, or the first two or three days; and that the less desirable crops are picked up later, and that the price shrinks on that account; but we know however that there are many crops that were not bought which could be classed among the top crops; the same applies to 1932, and we know that some of the crops that were bought as I stated at 14 and 15 cents were the equal of other crops that sold at 22 cents to 24 cents.

*By Mr. Factor:*

Q. When did the market open in 1933?—A. Mr. Lea is present, and he could tell us the exact date. I do not remember.

*By Mr. Sommerville:*

Q. You do not remember the exact date?—A. It was along in October.

*By Mr. Kennedy (Peace River):*

Q. Is a good crop of high grade the result of skilful farming and good handling?—A. There is, of course, a lot in proper handling, and in the grower knowing his business.

Q. Is weather a factor?—A. We are very seriously affected by the weather, yes.

Q. Having regard to this \$20,000,000 investment, does that take in the whole of the farm on which the tobacco is grown, or does it just apply to the land actually used and the investment for equipment?—A. That would cover the entire investment in land.

Q. Is tobacco grown as a rotation?—A. Yes.

Q. In a regular crop rotation?—A. Yes, tobacco is a crop that exhausts the soil; at least the soil must be rested and rotated.

Q. And the comparison of investments between the investment of the growers and the tobacco manufacturers; is that a fair comparison, \$20,000,000 against \$10,000,000?—A. I would not say that that was. I think the secretary in inserting that paragraph wanted to show the amount of fixed investment.

*By Mr. Sommerville:*

Q. You made reference to numbers who had to go out of the business in the last two or three years; why was that?—A. I refer to the fact that many



of the growers will have to discontinue because the price paid for the product is not sufficient to maintain them on their farms; they cannot meet their expenses. It is a very expensive crop to grow.

*By the Chairman:*

Q. Can you suggest the price, and give justification for the price you suggest, that the association thinks the growers should receive?—A. Do you mean the price that we should receive?

Q. Yes.—A. I think Mr. J. F. McKay will submit a statement to you which will set forth our views.

Q. Representing the considered views of your association?—A. I would not say these are the considered views, we have not had an opportunity of placing it before our association; but I think it will meet with approval by the association.

*By Mr. Sommerville:*

Q. It will meet the views of growers who have had experience over a period of years?—A. Yes, as to a basis which would enable us to determine the price.

*By Mr. Kennedy (Peace River):*

Q. You said something about a licensing system; what would the licence cover, a licence to plant so much?—A. If we are over-producing—if there is over-production one year, and a proper system of control and regulation is set up, you would have that licensing system to bring the growers under control so that you could control production. This year our two associations are co-operating in working out a reduction in acreage. It has been suggested that we are producing too much tobacco. The Imperial Tobacco Company and the other companies are co-operating, and according to the last reports at the end of last week, 85 per cent of the growers have signed for a reduction of 25 per cent in acreage for this year.

Q. I suppose your object is to try to get a reasonable return for your investment and labour?—A. Exactly.

The CHAIRMAN: I think we will adjourn here, to meet again at four o'clock.

The Committee adjourned at 12.40 p.m. to meet again this day at 4 o'clock p.m.

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#### AFTERNOON SITTING

The Committee resumed at 4 p.m.

*By Mr. Sommerville:*

Q. Mr. Scythes, before adjourning you were dealing with the producer not getting a fair proportion of the consumer's dollar?—A. Yes, Mr. Chairman. Before I continue with that subject, Mr. Kennedy (Peace River) asked a question as to whether our valuation included only the lands that were used for the production of tobacco. I might state that in the tobacco growing industry the tobacco growers are specialized—flue-cured tobacco growers are largely specialists, and practically all their lands are devoted to that one crop.

Q. The tobacco crop?—A. Yes. Perhaps, some of them raise a few other crops, but in a limited way, generally speaking, it is a specialized industry.

Q. May I ask you before you proceed. What proportion of the flue-cured tobacco growers do you and the other gentlemen who accompany you to-day represent?—A. I would say that the Incorporated Planters are well represented.

They cover, perhaps, 35 per cent of the production. The two associations—the Flue-Cured Tobacco Growers association and the Tillsonburg Co-operative association—would represent, perhaps, another 35 per cent, and there would still remain about 30 per cent who are unattached.

Q. So that you would represent about 70 per cent of the flue-cured tobacco growers?—A. Yes.

Q. Now, will you just proceed with the further development of that field of your argument that you are not getting a fair spread?—A. Because of similar conditions that prevailed in the United States an investigation was made as to conditions in industry, and a statement was prepared and presented to the Agricultural Adjustment Administration, and while we have not the figures in Canada, we believe an investigation would develop very similar figures here.

Q. That is an investigation by this committee?—A. Yes.

Q. Figures from the tobacco manufacturers and growers?—A. This relates to the price paid to the growers for their crops, and the profits made by the manufacturers. If I might be permitted, I would like to read the statement that was submitted to the Agricultural Adjustment Committee:—

Analysis of the returns obtained by tobacco growers and others in the tobacco industry indicates that there is an inequitable distribution of consumer's expenditure for tobacco products. One of the reasons for this is that although tobacco is grown by approximately 400,000 farmers, practically all the production is purchased and manufactured by a small number of manufacturers.

In 1923 the combined total of the amount paid to tobacco growers for all tobacco retained for use in the United States and the net profits of manufacturers was approximately \$250,000,000. Of this amount \$174,000,000 or 70 per cent, was received by tobacco growers and \$76,000,000, or 30 per cent, was manufacturers' profits. Since that time the profits of manufacturers have increased steadily and the amount paid to farmers has declined. This decline has been particularly great during the past four years.

Q. The growers got how much?—A. \$174,000,000.

Q. And the companies got how much?—A. They got about 30 per cent, \$68,000,000. That was the manufacturers' profits.

In 1931 the combined total of these two items was \$243,000,000 of which tobacco growers received \$96,000,000 or 40 per cent, and manufacturers' profits were \$147,000,000, or 60 per cent.

Q. That is, the situation was reversed in the eight years?—A. Yes.

In 1932, manufacturers were able to maintain their profits but farmers' receipts were greatly reduced. Of the combined total of these two items in 1932, which was \$214,000,000, the amount received by tobacco growers was only \$68,000,000 or 32 per cent, and manufacturers' profits were \$146,000,000, or 68 per cent.

Q. That is to say that in the United States the entire amount paid to the growers for all the tobacco taken from them was \$68,000,000?—A. Yes.

The CHAIRMAN: That is the sale price of the tobacco?

The WITNESS: The sale price of the tobacco. What the grower received.

Mr. SOMMERVILLE: What the grower received; and the same year the tobacco manufacturing companies made profits of \$146,000,000?

The WITNESS: Aggregate profits of \$146,000,000.

Mr. YOUNG: Will you define the word profits; what all does it include?

The WITNESS: That profit is the net profit available for distribution after all overheads and all charges. Those are the net profits of the manufacturers as

shown by their statement. The \$68,000,000 to the growers represents only the total amount he received—the gross amount he received.

Mr. SOMMERVILLE: That would cover his expenditures?

The WITNESS: The statement amplifies that.

The CHAIRMAN: I suppose the small amount the growers got in the last couple of years is due to their getting no profits.

Mr. FACTOR: They got paid below cost.

The WITNESS: We have never been on that scale.

Mr. SENN: Never is a long time. What about when you were getting 40 cents a pound?

The WITNESS: Well, the industry was healthy and prosperous at that time.

*By Mr. Kennedy (Peace River):*

Q. Have you got a statement about the number of people employed on the growers' side as against the manufacturers' side?—A. We have on previous occasions compiled a statement showing the number employed in the growing industry, and, of course, the figures are available for the manufacturer. We would be very glad to submit a statement to the committee.

Mr. SOMMERVILLE: We will get that statement.

The WITNESS:

These figures indicate that in the distribution of income between the farmers and the manufacturers the present organization of the tobacco industry is such that farmers are in an unfair bargaining position.

In considering the figures just cited it should be pointed out that manufacturers' profits for the most part represents only returns for the capital invested, whereas the amount received by farmers represents the return for capital, labour and management. Preliminary studies indicate that the original investment in tobacco manufacturing plants is somewhat less than the original investment in the land, buildings and equipment used in growing the tobacco. In producing the tobacco used by manufacturers last year approximately 250,000,000 hours of farm labour were used. If the rate of compensation for this labour were figured at a rate no higher than that paid to the lowest priced labour used by the manufacturer the total returns received by farmers would hardly be sufficient to cover the labour and cash outlays for fertilizers, allowing no return for other miscellaneous items. As a result of the decline in farmers' receipts the conditions among tobacco growers have steadily grown worse. The values of farm property have depreciated, debts have accumulated, credit has ceased to be available, taxes have become delinquent and the standards of living have reached a bare subsistence level.

Prices received by the growers of flue-cured tobacco in 1932 average 11.6 cents per pound, which was 4.2 cents, or 27 per cent, below fair exchange. In 1933 available data indicate that prices are little if any higher than in 1932.

The CHAIRMAN: That is fair exchange value. At that rate they figured the fair exchange value in the Southern States was 15.6.

The WITNESS: That was later determined at 17 cents.

*By Mr. Sommerville:*

Q. That is including the labour that is available in the south they figured that the fair average value of the crop was 15.6, and later on it was fixed at 17? A. Following the presentation of this statement and the investigation under the



A.A.A. the markets were closed. They declared a market holiday. There was no buying on the markets, and in the interim a plan was evolved, I believe, between the growers and the manufacturers, with the co-operation of the government, and a parity price was decided upon. The parity price, I believe, was the average for ten years based on the purchasing power of the dollar—adjusted to the purchasing price of the dollar. I suppose that fair value would represent that.

Q. And that was fixed at?—A. Seventeen cents.

The CHAIRMAN: A pound.

*By Mr. Senn:*

Q. Is that for all kinds of tobacco?—A. No, flue-cured tobacco. My remarks will all refer to flue-cured tobacco only. I am not posted on any other branch of the industry. The condition was that the manufacturers or buyers of tobacco would pay not less than 17 cents a pound average, and the A.A.A. inserted a penalty that they would tax any buyer the difference between the price he paid and the average price of 17 cents. So that he was liable for 17 cents a pound on his purchases.

*By the Chairman:*

Q. On his past purchases?—A. No, just for that year.

Q. No, but for his past purchases for that year; his previous purchases for that year?—A. I am not certain as to that, or whether that was from the date of the reopening of the markets. I am not certain whether that was for a year's purchase. Perhaps some of the other members of the delegation could answer that, but I am not certain as to that. In addition to the parity price of 17 cents, I believe they had a commitment from the manufacturers or buyers that they would purchase a quantity equal to their previous year's purchase, and there was also a penalty inserted that if they fell short in their purchases they would be taxed one cent a pound on any shortage.

*By Mr. Young:*

Q. You told us this morning that you did not make too much money at 40 cents?—A. I am referring to conditions in the United States.

Q. Can they grow that tobacco much cheaper than you can?—A. Conditions are very different over there.

Mr. SOMMERVILLE: Labour conditions are different in Virginia, Carolina and Georgia—coloured labour.

*By Mr. Young:*

Q. You spoke of farm values depreciating. What do you value your land at?—A. Well, you could buy some tobacco land at the present time, without buildings, at probably \$60 an acre—\$60 to \$100 an acre. You might buy certain farms cheaper.

Q. They have gone considerably higher, have they?—A. They have paid as high as \$500 an acre in Essex county.

Q. That was when you were getting 40 cents a pound.

The CHAIRMAN: That was in a period of optimism.

The WITNESS: That was in a period of prosperity. One time they got 60 cents a pound. We were not in the business. Those were the halcyon days. We are not asking 60 cents a pound. There is a happy medium that we think would be fair to the growers and that we believe could be arrived at and maintained, and that would be all we are asking.

*By Mr. Young:*

Q. It was that 60 cents that brought you into the business, was it?—A. Well, the business looked very attractive for a period of years, yes.

Q. And when it was 40 cents, I suppose it brought other people into the business?—A. Yes, they were still coming in in small numbers.

Q. And if they put it back at 40 cents, would that bring other people there also?—A. We do not know of any other areas that are suitable for producing this tobacco.

Q. Can production be expanded in your own area?—A. Yes, we believe limited expansion could still take place.

Q. There is only a limited amount of land that is suitable for this production?—A. Yes, that is the prevailing impression.

*By the Chairman:*

Q. Have you finished your quotation?—A. The balance of the quotation is, perhaps, not so important.

Q. What you are saying is: you are quoting this condition in the United States as being indicative of a parallel condition in Canada?—A. Yes.

Q. And if the figures as to production and profits of manufacturers are examined here a similar scale will be shown?—A. I believe a similar scale will be shown.

Q. In which the amount paid to producers has steadily been reduced?—A. Yes.

Q. And the amount of profit made by the manufacturer has been steadily increasing?—A. The manufacturers' profits have been maintained.

*By Mr. Factor:*

Q. Have you a statement showing the comparison of receipts between growers and producers since 1929—comparable to the statement you have just read?—A. Between the grower and the producer?

Q. No, the grower and the manufacturer?—A. The producer and manufacturer?

Q. Yes?—A. We have complete statements—I believe they have been filed with the committee—showing the average prices paid each year, and the quantity of tobacco. I only obtained them this morning, and I have not had time to review them yet.

Mr. SOMMERVILLE: The statements are here.

The WITNESS: They are all filed with the committee. Here is a diagram which I would like to file with the committee. It is a graph showing the rise and fall of prices according to this statement I have read.

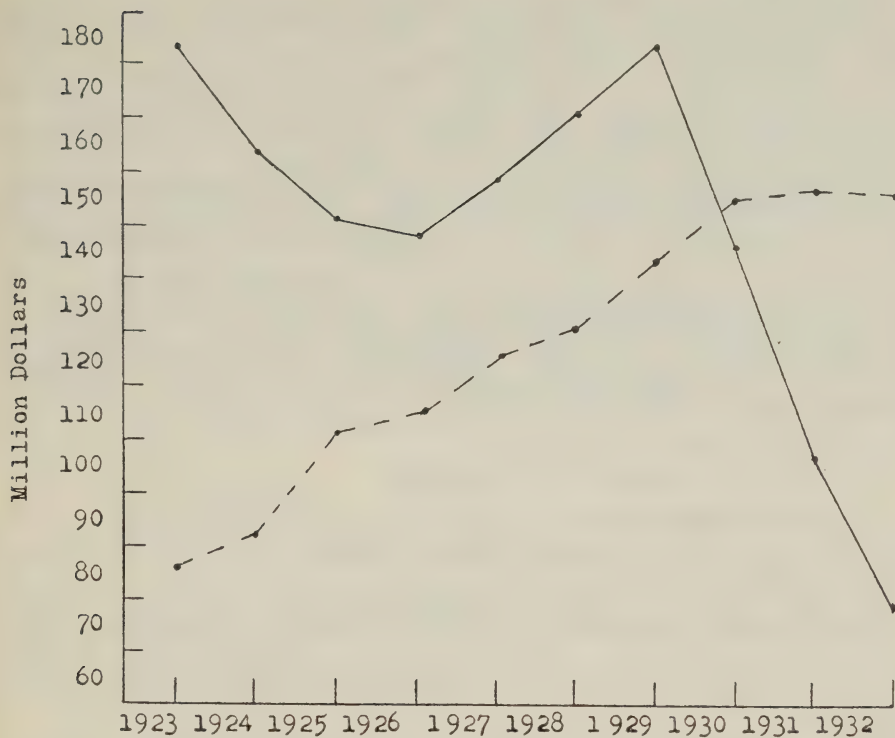
The CHAIRMAN: Does the committee want this included in the evidence?

Mr. FACTOR: I think so.

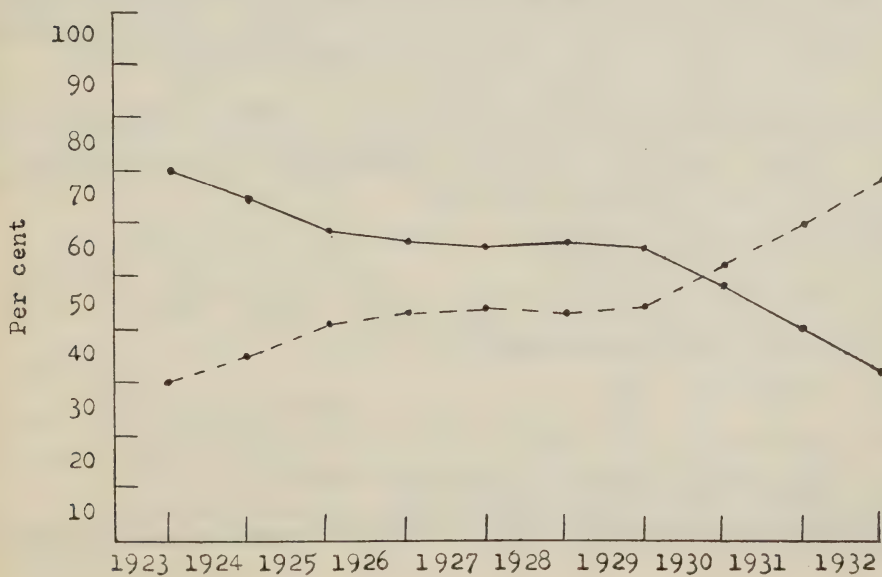
The CHAIRMAN: All right, it will be included.

## UNITED STATES

## TOBACCO GROWERS' RECEIPTS AND MANUFACTURERS' PROFITS



— Gross receipts of farmers for tobacco retained for domestic consumption.  
 - - - Profits of 34 leading domestic manufacturers.





*By Mr. Sommerville:*

Q. This shows the drop in prices received by the producer down to the end of 1932?—A. Yes.

Q. And the rise in profits?—A. By the manufacturers.

Q. What you say is an examination of the figures would reveal a similar trend, as disclosed in that graph, in Canada?—A. Yes.

Q. That graph is to the end of 1932; and I think you said that the average price for tobacco then was 11 cents—11·6 in the United States?—A. Yes.

Q. And then the result of the increase in the price to 17 cents would be to improve the return to the grower?—A. Yes, absolutely.

Q. Is there anything further you have to present to the committee in support of your contention that these profits have been maintained as far as the manufacturing companies are concerned; as showing the relative or rather improved position that they are in, as against the grower whose position has been reduced?—A. Well, as an example, we have in Canada the Imperial Tobacco Company who have been extraordinarily successful in their operations. Supporting our contention that there is an unequal distribution of the consumer's dollar, we would like to point out that from an original common stock issue of \$1,000,000, it has grown since 1895 to \$47,000,000.

*By Mr. Factor:*

Q. What was the original?—A. \$1,000,000.

*By Mr. Sommerville:*

Q. Imperial originally was \$1,000,000?—A. Yes.

Q. In 1895?—A. Yes.

Q. And it has grown to what?—A. \$47,000,000.

Q. \$47,000,000 of common stock at the present time?—A. \$47,000,000. That refers to common shares only. In other words, there is \$1,000,000 to the \$47,000,000 that has been built up without investing any additional capital, but just from earnings.

*By Mr. Factor:*

Q. I am informed, Mr. Seythes—and I want you to correct me if it is not so—that in the tobacco manufacturing industry the dividends increased in 1930 enough to pay 92·25 per cent on new capital and in 1931, 1,041·5 per cent on new capital?—A. What you are reading from refers to Canada?

Q. Yes, the Canadian Forum, referring to Canada?—A. Yes.

Mr. YOUNG: They invested \$1,000,000 in the first place, you say, and you say their profits in that year were 1,000 per cent?

Mr. FACTOR: Dividends increased in 1930 enough to pay 92·25 per cent on new capital, and in 1931, 1,041·5 per cent.

Mr. YOUNG: 1,041 per cent?

Mr. FACTOR: On new capital.

Mr. SOMMERVILLE: That is to say, if the capital were invested at the present time, if you take the return on the original capital of 1895—

Mr. YOUNG: That was \$1,000,000?

Mr. SOMMERVILLE: Yes.

Mr. YOUNG: The profits this year would be 1,000 per cent on that? No—

Mr. SOMMERVILLE: The profits this year were about \$6,000,000, this last year, of the Imperial Tobacco Company—one company.

Mr. YOUNG: That would be 600 per cent.

Mr. FACTOR: At that time, in 1931, the profits were more and they amounted to 1,041·5 per cent.

*By Mr. Factor:*

Q. Might I read to you and put on record another quotation which should be checked up later on: "Tobacco dividends were \$1,051,522 higher than in 1929 (speaking of 1931) or 22.79 per cent; salaries were up \$294,000 or 8.63 per cent; wages were down \$552,000 or 11 per cent. The increase in dividends alone here is almost twice as much as the decrease in the wage bill." Have you got those figures?—A. No, not those figures. We are submitting these figures because it has been stated by one of the officials of the Imperial Tobacco Company that they have had difficulty earning their dividends during the depression, during these last couple of years. I would like to say that the dividends have to be earned on a very large amount of bonus stock; that this original investment of \$1,000,000 in or about 1895 was later augmented, by a bonus of five for one, to \$5,000,000; and later again—

*By Mr. Sommerville:*

Q. Have you got the figures when it was augmented?—A. I believe about 1900 or 1901; and later on, about 1912 a further bonus of five shares for one was given, bringing it up to \$25,000,000. Then a bond issue was put out for \$4,500,000, convertible into 20 shares of common stock.

Q. Twenty shares of common stock for each bond?—A. Yes, and it was all converted.

*By the Chairman:*

Q. Just a minute; there were funds put into the company for that bond issue?—A. Yes. That \$4,500,000 represents capital invested. I will qualify that later. I am just trying to show how the common stock structure has been built up without any additional capital investment. It is true that \$4,500,000 was capital invested. Later, in 1928, a 20 per cent stock bonus was given.

*By Mr. Sommerville:*

Q. Yes?—A. In 1907, an issue was placed of preference shares in the London market for \$8,000,000; so that you take \$8,000,000 that was raised through the sale of those preference shares, the \$1,000,000 that was originally subscribed, and the \$4,500,000, and it brings it up to \$13,500,000 actually invested. The average earnings on that capital, in the past five years, would represent about 40 per cent.

Q. About 40 per cent?—A. Yes.

*By Mr. Young:*

Q. What is the paid-up capital to-day?—A. The paid-up capital to-day in ordinary shares is \$103,961,352.

*By Mr. Sommerville:*

Q. You mean that is the value?—A. That is the value on the stock market, the present stock market value.

*By Mr. Young:*

Q. What is the par value?—A. The par value would be \$5 a share, about \$47,000,000.

Mr. FACTOR: \$47,255,160.

*By Mr. Young:*

Q. You told us that \$1,000,000 grew into \$47,000,000?—A. Yes.

Q. Apparently there has been something added to the \$1,000,000; there was \$8,000,000 and \$4,500,000?—A. Yes. I have tried to show that \$8,000,000 and \$4,500,000 and \$1,000,000 was the capital invested, and that is \$13,500,000.

*By Mr. Sommerville:*

Q. Of cash?—A. Of cash invested in the business; and that the stock market value of that \$13,500,000 on to-day's market is \$111,991,000.

Q. And the annual return, the average return, for five years has been what?—A. The average return on \$13,500,000 is about 40 per cent for the five years.

*By Mr. Factor:*

Q. I notice in their statement in 1933, ending December 31, they show an operating surplus of \$8,138,487?—A. Yes. Well, perhaps the shareholders of Imperial have something to look forward to in the future.

Q. Have you any information there of the subsidiary companies controlled by the Imperial Tobacco Company?—A. It is given in their statement, I believe. I believe the subsidiaries are—some of them, I am not sure I have them all—the General Cigar Company, United Cigar Stores, and a number of the principal jobbing concerns throughout Canada; B. Houde Company, Limited, of Quebec; the National Tobacco Company.

*By Mr. Sommerville:*

Q. The Tuckett Tobacco Company of Hamilton?—A. Yes. The Andrew Wilson Company of Toronto; they are large jobbers and manufacturers of the Bachelor cigar; and the Punch Cigar Company.

*By Mr. Factor:*

Q. That is subsidiary and associated companies, as it is termed here?—A. Yes.

Q. They also, I understand, control certain distributors?—A. Well, I believe they do. Andrew Wilson Company is one, and I think John Erzinger Limited, of Winnipeg, is another.

Q. Scales & Roberts, of Toronto?—A. Yes, I believe Scales & Roberts is also controlled by the Imperial.

Q. Have you got the prospectus? Would you mind looking on page 2, and tell me if you have any information—where it says "Distributors"?—A. "Scales & Roberts, Limited—tobacco jobbers, located in Toronto. A subsidiary, the E. Fortier Company, Limited, is engaged in the same business in Montreal. Entirely owned by the parent company. The company also controls and operates James Kirk Limited, and John Erzinger Limited; and United Cigar Stores Limited."

Q. What about Liggett & Myers Tobacco Company of Canada, Limited, of Montreal?—A. I am not aware that they are operating. They are a large American Company. They are not operating in Canada to my knowledge. Whether they have taken out a charter and are lying dormant I don't know. I don't know the position of that company.

Q. Then what about the Imperial Tobacco Sales Company of Canada, Limited?

MR. SOMMERVILLE: That is one of the subsidiaries of the Imperial Tobacco Company.

MR. FACTOR: And the Imperial Leaf Tobacco Company of Canada, Limited.

MR. SOMMERVILLE: The Imperial Leaf Tobacco Company Limited is also owned by them.

*By Mr. Sommerville:*

Q. Is their sales organization organized as a separate company?—A. I am not sure about the Imperial Tobacco Sales Company, but I should think that that is the sales organization of the company, through which their manufactured products pass to the public, to the trade.



*By the Chairman:*

Q. In your argument regarding the inequality of distribution of the consumer's dollar that you referred to in this alleged structure that you have set forth, have you made any allowances for the amount of returns to the Imperial Tobacco Company for their operations in connection with imported tobacco and other activities other than processing Canadian-grown tobacco?—A. Of course, those figures cover their entire operations.

Q. You have not broken that down?—A. No.

Q. In your calculations?—A. No, we have not done that.

Q. Your direct evidence, of course, is interesting on this point: What was the total amount received by the Canadian growers of tobacco for say 1932 or 1931, and a number of years; have you got a statement of that?—A. Yes, we have those. I am afraid it is not given here separately.

The CHAIRMAN: I think it would be desirable if we could have that evidence now, of the total crop; one year would do, but it would be much better if we have a number of years, the amount of domestic tobacco, and the total amount received for it.

Mr. SOMMERVILLE: The figures as supplied by the tobacco division of the Department of Agriculture indicates that the value of the 1933 crop, based on the assumption that the remainder of the crop would be sold at an average equal to that obtained for that portion already sold, for the whole of Canada, would be \$5,201,490.

The CHAIRMAN: Have you the other preceding years?

Mr. SOMMERVILLE: Yes.

The CHAIRMAN: Without going into the details, we might put that statement in the evidence.

Mr. FACTOR: The total amount received by the growers?

Mr. SOMMERVILLE: Yes, it gives the total amount.

The WITNESS: I am not sure that that is the figure for flue-cured tobacco.

Mr. SOMMERVILLE: It is for all tobacco, all kinds.

The WITNESS: Oh, yes.

Mr. FACTOR: Including burley?

The WITNESS: Including burley.

Mr. FACTOR: You have got that split up?

The WITNESS: Perhaps it is in this statement of statistics that was filed with the committee this morning, but I have not had time to go over it.

Mr. SOMMERVILLE: I will file this schedule which has been submitted by the department, which shows that in 1919, for 33,700,000 pounds the growers received \$15,548,000; and in 1932, for 54,094,000 pounds the growers received \$6,088,300. The amount had increased in production from 33,000,000 to 54,000,000, in round figures, and the price had dropped from \$15,000,000 to \$6,000,000.

The CHAIRMAN: I think that had better go in.

Mr. SENN: Are you going to include that in the evidence?

The CHAIRMAN: Yes.

## A. CANADA PRODUCTION

Year	Production	Value	Average
1919.. . . . .	33,770,000 lbs.	\$15,548,000	46.0c.
1920.. . . . .	48,088,500 lbs.	5,893,275	12.2c.
1921.. . . . .	13,248,962 lbs.	2,393,190	18.0c.
1922.. . . . .	25,947,570 lbs.	4,547,851	17.5c.
1923.. . . . .	21,297,000 lbs.	3,518,500	16.5c.
1924.. . . . .	18,700,000 lbs.	4,358,898	23.3c.
1925.. . . . .	29,255,000 lbs.	7,004,600	27.3c.
1926.. . . . .	28,824,000 lbs.	7,379,480	25.5c.
1927.. . . . .	43,916,700 lbs.	9,112,278	20.7c.
1928.. . . . .	41,976,375 lbs.	6,833,511	16.2c.
1929.. . . . .	29,886,350 lbs.	6,276,133	21.0c.
1930.. . . . .	36,716,917 lbs.	7,058,457	19.2c.
1931.. . . . .	51,300,000 lbs.	7,177,540	13.9c.
1932.. . . . .	54,094,000 lbs.	6,088,300	11.2c.
*1933.. . . . .	39,400,000 lbs.	5,201,490	13.2c.

\* Prices and value based on the assumption that the remainder of the crop will be sold at an average equal to that obtained for that portion already sold.

*By Mr. Young:*

Q. You say the quality improved in that time?—A. The quality of tobacco?

Q. I think in some of those reports this morning you said the crop was very good these last few years, very good quality?—A. 1930 and 1931, yes, the quality was very good; very excellent crops.

Q. You are growing better tobacco than you did back in 1919?—A. Yes, I think we are. I think we have improved the quality. We have changed the type and changed the method of harvesting, and I think there has been great improvement.

*By Mr. Senn:*

Q. Can you say whether there is a larger proportion of flue-cured tobacco, which is a higher priced tobacco, grown to-day than there was in 1919?—A. Yes.

Q. And is there a larger proportion from year to year?—A. Yes, the proportion has increased each year.

Q. Of flue-cured tobacco?—A. Yes, until 1933, when production fell.

Q. I mean so far as the ratio, the total production of Canada is concerned, it has increased?—A. Yes, it has increased.

Mr. SOMMERVILLE: Table No. 2 shows that, Mr. Senn.

Mr. SENN: I have not got that.

Mr. SOMMERVILLE: We will have one for you.

The WITNESS: If I might just conclude my figures in connection with the Imperial Tobacco Company, and their contention that they have difficulty in earning their dividends, I am informed that an original investment in 1895 of \$10,000 nets the owner of these shares \$30,000 a year in dividends to-day.

*By Mr. Sommerville:*

Q. \$30,000 a year dividends?—A. Yes.

Q. At the present time?—A. Yes. That is, it pays \$3 per year on one dollar originally invested.

Q. If we had only had foresight— —A. I wish our capital was all invested in the Imperial.

*By Mr. Factor:*

Q. You know nothing about the other end of it, the jobbing and retailing? —A. No.

Mr. SOMMERVILLE: All right, thank you, Mr. Scythes.

The witness retired.

Mr. H. A. FREEMAN, called and sworn.

*By Mr. Sommerville:*

Q. Mr. Freeman, you are a tobacco grower in the new belt district?—A. That is right.

Q. And what acreage have you?—A. I started in 1923, as an original producer of flue-cured tobacco in the new district with 20 acres, and I have increased that gradually from 1923 to 1933 to 420 acres.

Q. I understand you spent a long time in the tobacco industry?—A. Yes.

Q. By reason of your knowledge and experience you were asked to take charge of the government experimental farm on tobacco at Harrow, were you not?—A. No, I came first to the Dominion of Canada connected with the tobacco division at the Central Farm, which position I held until 1926, and in 1926 I went to Harrow, Ontario, as Superintendent of the tobacco experimental station, as it was at that time at Harrow in Essex county.

Q. Subsequently you devoted yourself to the growing of tobacco?—A. In 1928 I left the government service and went into—I sold all the farms I had in 1928 to the Ontario Tobacco Plantations, and became Manager of that company, which position I held for three years, and then I had a bunch of farms of my own again and started operating on my own. I have been doing that since.

Q. What has been the position with respect to flue-cured tobacco since 1930?—A. There has been a steady decrease in the price to the growers since that date. I do not know what the definite per cent of the decline would be, but it is fairly continuous from that date.

Q. And to-day it is fair to say that it represents approximately 50 per cent of the price paid in 1930?—A. Yes.

Q. What has been the result as far as the price of the manufactured product is concerned? Has that dropped proportionately?—A. So far as my information goes it has not.

Q. In the meantime, has the cost of production, or harvesting increased?—A. No, the cost of production since 1928 has fallen. It costs less to-day than it did in 1928.

Q. What do you say as to the effect of an average price of 16 cents for your flue-cured tobacco upon production in your county?—A. Well, in my own mind, it is below the cost of production—my own experience.

Q. And has that been the experience of the growers with whom you have been associated?—A. Yes.

Q. And then what has been the effect of these steadily declining prices for tobacco on the farmers in the area?—A. Well, they have found their debts accumulating, they have found unpaid bills accumulating, and I know the fertilizer association claims that in the tobacco area taking Norfolk and back to Windsor, it has \$250,000 in unpaid fertilizer accounts. They have had such things as that accumulating on them, they have not been able to keep up with their payments of various kinds—mortgage payments and other demands. Up to 1928—I operate all of my farms with tenant growers—up to 1928 and possibly including 1928, I never had a grower that did not pay all of his costs and some money left, depending on the various kinds—some very well, some less—various amounts as a family income toward labour and management. Since that time I have had some that not only received no return for their labour, but find their capital impaired.

Q. And has that been the general experience these last three years throughout the flue-cured area?—A. Just how general I am not prepared to say, but I know it is happening right along, and has become more and more prevalent.

*By Mr. Senn:*

Q. Is your tenant farming done on a share basis?—A. That is right.



*By Mr. Sommerville:*

Q. That is the point which I wanted to develop. I understand that a very large proportion of tobacco raised in the new belt is grown on what is called a share-plan basis?—A. Yes.

Q. And that is, that the owner provides the farm, the building, the greenhouse, the kilns, the horses and the equipment; what else does he supply?—A. Horse feed, one-half the fertilizer, one-half the insurance, one-half the hauling of the tobacco to market, the paper and twine to wrap the tobacco for delivery; I believe that that covers it.

*By Mr. Senn:*

Q. What about taxes?—A. The landowner pays all taxes.

*By Mr. Sommerville:*

Q. And the insurance—A. One-half of the fuel for curing the tobacco, and one-half of the cost of the cure—a special man to do the actual curing—and any labour of that kind.

Q. When the tenant's crop is harvested and it is in the kilns for curing, a special man is employed to do the curing, and the owner of the land pays one-half of the cost of that?—A. That is the general practice, there may be a few exceptions from that, but that is general.

Q. Can you give us any idea of the proportion of tobacco which is produced on the share-plan basis?—A. So far as my information goes I think it would be somewhere around 70 to 75 per cent.

*By the Chairman:*

Q. In Ontario?—A. Yes. Now, I am speaking of flue-cured tobacco.

*By Mr. Sommerville:*

Q. And upon that basis then, during the past few years with the declining price of tobacco, could you tell us whether or not the tenant on the farm has been able to cover his cost of production?—A. I would say that when he has received higher than the average yield, and higher than the average price—higher than the price of 20 cents a pound—and higher than the average yield of the whole area, that he has made a little money, depending on what degree he exceeded these two things. Or it might be that one of these two things might be sufficient to off-set a certain amount of the other and to still leave a margin.

Q. But on the share basis I understand that he gets 50-50 of the proceeds of the crop?—A. Yes.

Q. That is, whatever the crop brings he gets one-half to cover his expenses and labour?—A. That is right.

Q. And of whatever the crop brings, the owner gets one-half to cover his expenditures and investment?—A. Yes.

Q. Then you say when he has received more than an average crop in the area; what do you mean by that?—A. I mean more than the average yield that has been given by, say the government estimate of the average yield of pounds per acre for the entire area.

Q. And what is the amount per acre given by the government estimates for that area?—A. From the figures I have here, the average in 1928 was given as 800 pounds per acre; the average for 1929 was 600 pounds per acre; the average for 1930 was 720 pounds; the average for 1931 was 896 pounds; the average for 1932 was 930 pounds; and the average for 1933 was 748 pounds.

*By the Chairman:*

Q. What is the average of that for a five-year period?—A. The three-year average, 1930-1932, was 849 pounds per acre.

*By Mr. Sommerville:*

Q. Approximately 850 pounds per acre as a three-year average?—A. Yes.

Q. And you say that if he receives more than that average?—A. More than that average of 840 pounds.

Q. And if his tobacco grades more than an average for the district?—A. Well, no—yes, he would have—I would gauge that on the price; if he receives more than an average of more than 849 pounds, and more than an average of 20 cents a pound, he could, in my own experience that is, make a little money; and the amount of that would depend upon how much above this is.

Q. That would cover his labour and the labour of his family?—A. Yes.

Q. As I understand it, these tenant farmers use the labour of their family in the raising of the crop?—A. Yes.

Q. And whatever he makes in this way goes to recompense then for the labour they have expended on the crop?—A. That would be his labour income or his wages.

*By Mr. Kennedy (Peace River):*

Q. What profit would the owner make in these circumstances?—A. As near as I can figure it out this 50-50 basis is about as equitable a distribution as can be made; and when the tenant grower makes a little money the landowner does the same; when the tenant grower does not make any money, the landowner is in the same boat.

*By Mr. Sommerville:*

Q. And when you are making a little money, do you reckon that as a return on your investment?—A. I haven't got figures here with me, but my experience has been very similar to the results obtained by the government. I have used their figures with respect to rental of land, interest on investment, rate of wages, hours of labour, cost of fertilizer, and fuel and curing.

Q. I suppose it would be possible to secure from these owners who represent 75 per cent of the production the figures of their costs, would it not?—A. I think in a great many cases it would.

Q. I do not mean the tenant farmers, but those who own the land; I presume they keep a record of their cost and it would be possible to obtain that from them?—A. I have found that most farms keep a very accurate record of these things.

Q. Are extensive expenses involved in handling these farms, Mr. Freeman?—A. Yes, depending—I have bought and equipped a number of farms, and I think that the price at which I bought the farms and at which I have been equipping them will stand comparison with most anyone in the area, and my experience has been that if I bought a farm of 50 acres and equipped it for the growing of 30 to 35 acres of tobacco, that my costs would be around \$10,000 to \$11,000. In some cases it would run a little higher, but on the average it would not be out very far either way.

*By Mr. Young:*

Q. How many acres of land in that farm?—A. One hundred acres of land in a farm.

Q. One hundred in tobacco?—A. When I mentioned equipment on that farm I was mentioning equipment sufficient to handle this 30 acres of tobacco.

*By Mr. Sommerville:*

Q. I understand 30 acres is an economical unit to operate?—A. There might be disagreement on that, I don't know myself; it is a very nice unit. Some others might operate a 40-acre unit and figure they would be handling it more economically. I would not be prepared to say as to that, but I know that 30 to 35 acres is a very nice unit.

Q. I understand the 30-acre unit is pretty largely looked upon as a one-man power unit?—A. Yes.

*By the Chairman:*

Q. That is, 30 acres in tobacco?—A. Yes.

Q. Then you rotate, do you, on your 100 acres?—A. Yes, on a fallow system. As soon as I get my tobacco off in the fall I sow that acreage that produced tobacco to rye. You must know first that these are very light and very unfertile sands, all of these soils, and I sow this rye in the fall and let it grow up the succeeding year and come to maturity and then with a disc put down the rye—straw, seed and everything—for the following year's crop of tobacco.

*By Mr. Young:*

Q. You do not take off the crop of rye at all?—A. No, that land is too poor; it needs all it can get of that kind of thing.

*By Mr. Sommerville:*

Q. Then I understand the risks of blows are very severe and serious?—A. Yes.

*By Mr. Young:*

Q. That only accounts for two-thirds of your land?—A. You will have a certain amount taken up by pasture and buildings, and a little may be soil that you can't use which would be in your pasture and the bush lot.

*By Mr. Sommerville:*

Q. At any rate, on the ordinary 100-acre farm you expect to grow 30 to 35 acres of tobacco?—A. That is the soundest way I think of handling it.

*By Mr. Young:*

Q. You only get a crop in three years?—A. No, every second year; one year to rye, one year to tobacco.

Q. Yes, but on a 100-acre farm you only grow 100 acres of tobacco in three years?—A. On the average 100-acre farm devoted to flue-cured tobacco in Norfolk County you don't have over 65 to 75 acres of flue-cured tobacco land on them—that is about the average, some may be a little over and some a little less; that would be the average.

*By Mr. Sommerville:*

Q. About 65 acres; then you just crop about one-half of your acreage suitable for flue-cured each year?—A. Yes.

*By Mr. Young:*

Q. In order to have an acre of tobacco each year you have got to own three acres of land?—A. I would not say you have to do that; if you sold off the bush lot and pasture land, and only left your 65 acres of flue-cured tobacco land, you would have to own that quantity.

Q. But that would be a proportion of about three to one?—A. Yes.



*By Mr. Sommerville:*

Q. Well then, with reference to the risks in connection with your growing you have, first of all, the blowing, the wind which blows the sand away; you have that frequently when the plants are small?—A. Yes, that is a hazard.

Q. And the risk is substantial there, is it not?—A. Yes.

Q. And frequently you have to replant?—A. That, of course, again varies with different farms, and the protection that they may have, and things like that.

Q. Yes. And then what about your hailing risk?—A. Well, up until fairly recently, I believe, about the last two years, we had to take that risk. Since that time it has been possible to secure hail insurance.

Q. And now you are protected in that respect?—A. Yes.

*By Mr. Senn:*

Q. What about frost, Mr. Freeman?—A. Of course, that is just another one of the crop hazards. A fairly light frost, a frost that will affect any other plant will damage the tobacco plant since it is the foliage of the tobacco that is the valuable part, and it is a serious matter for tobacco.

*By Mr. Sommerville:*

Q. Then I understand, Mr. Freeman, that all of the plants must first be raised in the greenhouse?—A. Yes.

Q. And grown to a certain size in the greenhouse?—A. Yes.

Q. And then taken from the greenhouse and planted in the furrows?—A. Yes, planted on a ridge which contains the fertilizer for that crop.

Q. And that would require a very substantial amount of fertilizer?—A. Yes.

Q. It runs \$17 an acre in fertilizer.—A. About a thousand pounds per acre on the average, and then the cost of the fertilizer varies, but around \$30 is the cash price, \$30 a ton.

Q. So that would be \$15 or \$17 whether you pay cash or get it on credit?—A. Yes, and depending on the analysis of the fertilizer. The higher the analysis it costs a little more.

*By Mr. Factor:*

Q. I notice in one of these contracts for the sale of tobacco they exclude tobacco that is green, ragged, worm-eaten or dirty. Will you explain those terms.—A. That means roughly handled tobacco; that may be an inexperienced grower who tore and damaged the leaf, and the green, of course, is tobacco that did not come to maturity, or was harvested before it reached maturity.

*By Mr. Sommerville:*

Q. Well now, has the method of harvesting in the last two years, of priming instead of cutting the stock, added to the cost of harvesting substantially?—A. That has added some to the cost of harvesting. Before, it was possible to harvest the crop with six or seven men, that is, a thirty-acre crop, in about the same length of time that it now takes with twelve to thirteen.

Q. Formerly, you cut your stocks and took them into the barn and dried them?—A. Yes.

Q. With all the leaves on them.—A. With all the leaves attached to the stocks.

Q. Now, in the last few years you have adopted the general system of what is called priming?—A. Yes.

Q. By which you go through the crop week after week and remove the matured leaves from the bottom of the stock?—A. Yes.

Q. And those are tied together and taken to the barn and cured?—A. Yes.

Q. As individual leaves?—A. Yes.

Q. And that means you have to go over the crop three or four times, do you not, perhaps more than that?—A. Just depending on the maturity, and the uniformity and the carefulness with which you do it. You must be very careful to pull only matured leaves to have a desirable crop, and, of course, take those off as they ripen.

*By Mr. Young:*

Q. You say that doubles your labour cost.—A. I did not say that doubles our labour cost. I say, the number of men required in harvesting a 30-acre crop used to take six or seven men. Now, to harvest that same sized crop in about the same length of time, or a little longer, it takes twelve to thirteen. Of course, in that number there are some women and some children who can be used which I would not say was exactly doubling the cost.

Q. It increases the cost?—A. Yes.

Q. Do you get a better price because you treat it that way?—A. I would think so, because you have a better article, a better quality.

*By Mr. Sommerville:*

Q. But you have not been getting the increased price for the whole crop by reason of your changed harvesting methods?—A. No, I have not.

*By Mr. Young:*

Q. Have some stayed with the old methods while others were adopting the new?—A. No, the big companies made that request of the growers, and the first year that they made it they insisted that that change be made, and it was made practically 100 per cent.

*By the Chairman:*

Q. What does the expression "cured" mean?—A. It means that out in the field you have the matured leaf ready for harvest and you take it in and put it through a curing barn, starting out with low heat and raising it to higher heat. Some people would call it drying, just bringing the leaf up to a dry state; it is not leaf drying, it is better called curing.

*By Mr. Sommerville:*

Q. And it is in that form in which it is sold by the producer?—A. Yes, Of course, it is taken off those stacks and baled in bales of from 50 to 60 pounds of leaf and sold and delivered in that way.

Q. And then it is sold and delivered to the warehouse of the purchaser?—A. Yes.

Q. To the purchaser's storehouse?—A. Yes.

Q. Is the leaf sold in bulk, or is there a price of so much paid for top and so much less for other grades?—A. Well, that varies with crops. Some crops are bought at a stated price. Say all that this owner has in his barn is bought at a straight price of so much per pound; some other crops are bought at so much, for some lower figure. Just as an example, two or three or four thousand pounds at 6 or 8 cents, and say the remainder at 15 or 20 cents, or whatever the cost may be.

Q. Well now, we have heard complaints made in some quarters, that when an average price of say 16 cents or 18 cents is paid for a certain proportion of the crop, there may be three or four or five thousand pounds inserted in the contract at 6 cents a pound.—A. Yes.

Q. And is that one means of the buyer evening up the whole price of the tobacco purchased?—A. It could be.

Q. It could be?—A. Yes.

Q. And does that grading still depend upon the buyer when he receives the tobacco at his plant?—A. Yes, so far as he is grading, but not any further grading. There has been some sold that way, but when the price is stated in the contract and the crop is bought on the farm there is no further grading. In the case of the tobacco they might go further where those two prices were made that way. It may be, that included in that tobacco is some low grade tobacco of the crop that is worth less money and therefore takes that lower price. There are those two sides to it.

Q. But both the quantity and the price is fixed in the barn?—A. Yes.

Q. For both grades, whether it is high grade or low grade?—A. Yes, as a general practice, that is the case.

Q. And then when they are delivered the company carries out its contract, into these two grades?—A. Yes, that is the case, although there may be a few from time to time sort of fly-by-night concerns that do different, but that is the practice of the well recognized companies.

*By the Chairman:*

Q. Have you any complaints about the method of grading or buying, I mean from the grower's standpoint; are there any grounds for complaint, not about price but the method of buying?—A. If I understand your question, not from the better companies.

*By Mr. Sommerville:*

Q. You mean, the payment for the product that is grown?—A. Yes.

Q. There is no complaint about that from the better companies?—A. No, that is carried out 100 per cent, as is stated in the contract.

Q. Well now, as to the method of buying that has been described to us, of the buyer coming in and making his bid, and you take it or leave it and he leaves, what do you say? Have you any assistance that you can give the committee in the matter of the buying method?—A. Well, there has been quite a lot of that. I never paid a great deal of attention to it. I never thought it mattered a great deal, but with some of the smaller growers and less informed growers it might mean a great deal.

Q. How do you account, Mr. Freeman, for the fact that all the buyers wait for Imperial to set the market?—A. Well, I cannot account for that fact.

Q. They all buy, do they not?—A. Yes.

Q. And they buy substantial quantities?—A. Yes.

Q. But they all wait for the Imperial?—A. Yes.

Q. And did you ever know of them bidding more than the Imperial has bid?—A. No.

Q. And then do you know of the bids dropping from day to day as the buying goes on.—A. Yes, I have known of that.

Q. And is that a regular practice and custom in the buying?—A. Well, I do not think it has always been a regular custom over my years of experience; I do not think it has. In looking back over the years, a great deal of the time that was the case of buying up the better crops and holding out on the lower crops and the price naturally falling as the lower average or lower grade crops were purchased, but I do not think that has always been the case.

Q. We have had some information about the prices paid, and that the average price paid for the 1932 crop was some 16 cents for flue-cured.

Mr. SENN: That is, for first grade.

Mr. SOMMERVILLE: No, the average price paid for the crop.

The WITNESS: Yes.



*By Mr. Sommerville:*

Q. That was the average price paid for the 1932 crop.—A. Well, I think so. I know with the largest production per acre that I ever had, the best year per acre and of pretty good quality, I got on the average a little less than that.

Q. You averaged a little less than that?—A. Yes.

Q. Now, does that cover the cost of production, that average price that you received in that year, taking into consideration the factors that you have mentioned?—A. No.

Q. So that the price paid you then was below the cost of production, although the price obtained for the finished product by the manufacturer apparently did not change from year to year?—A. Not so far as my information goes.

*By Mr. Young:*

Q. You grew tobacco also in the States, you say?—A. Yes.

Q. Can you tell us why it costs more to grow tobacco in Canada than down there?—A. You have got here in Canada the best equipment, the best flue-cured tobacco equipment in the world, and you use good machinery and good equipment on all of these farms. South of the line the tobacco is grown with chain traces, hook collars, a cotton back-band, and a \$5 plough.

Q. You do not mean to say that our better equipment increases our production cost, do you?—A. Well, I do not think so, but you have got a higher standard of living; you have got higher wages; you have got higher taxes and higher land value which, of course, results in higher taxes; you have got to grow your plants in greenhouses with pumping equipment and the best of water supply, whereas in the South you can go down on the creek bank and burn a brush and put a little cheesecloth over it, then sow your seed and the rain does the rest, and then go back and get your plants when you are ready to plant.

*By Mr. Sommerville:*

Q. And you have got very much cheaper labour there?—A. Very much cheaper labour, and lower fertilizer, very much lower fertilizer; it is closer to the points of producing it whereas our fertilizer is coming from that area to this country. All of these things enter into it.

*By Mr. Senn:*

Q. Mr. Freeman, I do not want to embarrass you, and I understand that this question may be embarrassing to you: Are you entirely satisfied, as a grower, with the methods adopted at the present time by companies in purchasing tobacco not only from your association but individual farmers?—A. Let me get that question exactly right, sir, just how is that now?

Q. I say, are you entirely satisfied with the methods employed by the different representatives of tobacco concerns in purchasing tobacco from companies and the individual farmers?—A. Well, I am satisfied with the methods that they employ when they pay me a price so that I feel that I can meet my cost of production and make a small margin of profit.

Q. Are the methods of purchasing, in your experience, on a competitive basis, or otherwise?—A. Well, of course, I cannot answer that very well. I have seen them on a competitive basis quite active, and I have seen them where I could not seem to see any competition.

*By the Chairman:*

Q. Have you seen them hold off the market, as the term goes?—A. Well, I was ready to sell a long time before I could; I was along with the others.

*By Mr. Sommerville:*

Q. Have you some of the 1933 crop still on hand, Mr. Freeman?—A. Yes.

Q. What proportion of the 1933 crop have you sold?—A. About 33 per cent.

Q. And have you processed the balance of it?—A. Yes, I have processed it.

Q. And have it ready for sale in such a way that it can be exported?—A. Yes, or sold here.

Q. Or sold here?—A. Yes.

*By Mr. Young:*

Q. Is it possible to sell it yet? I understand if you did not sell early you did not sell at all?—A. Well, I have not turned down any opportunity to sell yet.

Q. Do you expect to be able to sell before another crop?—A. I hope so.

*By the Chairman:*

Q. What is the average price you received for the 1933 crop?—A. The average price of the 1933 crop which was sold, in my case, is somewhere between 16 to 18 cents. That is just an opinion.

*By Mr. Kennedy (Peace River):*

Q. How does it happen that you sold 33 per cent? Do the companies make a practice of going around and just taking so much from each farmer?—A. No, I cannot say as to that.

Q. Is there a period of a big surplus of tobacco in the world?—A. Well, I do not know as to there being a big surplus in the world; I do not know as to here; I do not know anything about the quantity of tobacco in storage in this country other than that portion that is unsold.

Q. Then how does it happen that you have sold one-third only of your crop?—A. That is all I had a chance to sell.

*By Mr. Sommerville:*

Q. That is all they would buy at the time?—A. Yes.

Q. May I ask, Mr. Freeman, each year the tobacco companies have cleaned up the crop?—A. Yes.

Q. At a price?—A. Yes.

Q. The price may be low but they have taken it?—A. Yes.

Q. And it has gone off the market?—A. Yes. Some years it has been cleaned up at very favourable prices.

*By Mr. Kennedy (Peace River):*

Q. 1933 was the first year then that they did not clean up?—A. No, it is not the first year, but 1933 is the first year that there was such a large quantity left.

*By Mr. Sommerville:*

Q. And has the leaving of this tobacco in the hands of the farmer had a tendency to depress the price, or make the farmer more willing to accept a lower price?—A. Well, I do not know what the result will be.

*By the Chairman:*

Q. You do not know how much the manufacturer has in stock, so you cannot judge how anxious they will be to buy the balance?—A. No, we have no information as to that.

*By Mr. Sommerville:*

Q. If you had that information available, would that be of assistance to you in gauging your market?—A. Absolutely. If I knew that there was a big stock of tobacco in the manufacturers' hands and saw the figures of that I would absolutely govern my growing accordingly; if I saw that there was a great surplus on hand I certainly would not go ahead producing in the usual way.

Q. You cut down last year, I understand, on the production generally throughout the district?—A. No. The acreage last year—I don't know just exactly how much—increased, but due to the most adverse season that I have ever seen since I have been in this country, since 1915, it reduced—

Q. The production?—A. Yes, and the quality.

*By Mr. Young:*

Q. If you want to reduce your production what would you sow on that land?—A. Well, I would be better to leave it idle, or grow a little feed. It is very unproductive land, and you are just about as far ahead to grow your oats or grain as you are to produce them on that poor land.

Q. And you pay \$50 an acre for that land without any buildings on it?—A. Well, it has got a good dwelling house and barns on it. It is not just land with no buildings whatever. The buildings on a lot of these farms that you could buy for \$50 an acre would carry from \$3,000 to \$4,000 or \$4,500 insurance on them.

*By the Chairman:*

Q. What recommendations have you, Mr. Freeman, to give to this committee in order to improve the lot of the producer?—A. Well, there will be briefs submitted here, and I find myself in agreement with the submission in those briefs.

MR. SOMMERVILLE: There are some that will be dealt with, Mr. Chairman, the recommendations in the back of this summary that has been submitted.

*By Mr. Sommerville:*

Q. You have conferred from time to time with the committee that have been preparing these recommendations, Mr. Freeman?—A. Yes.

Witness retired.

J. F. McKAY, called and sworn.

*By Mr. Sommerville:*

Q. Mr. McKay, what is your position in the tobacco world?—A. President of the Ontario Tobacco Plantations Limited.

Q. And how many acres have you in tobacco?—A. Our company have two thousand acres altogether. We have cropped as high as 625 acres in tobacco. We have gradually reduced that acreage, until the past year we had only 525 acres in tobacco, and we have now signed up an agreement providing for another reduction of 25 per cent in the acreage.

Q. In the acreage?—A. Yes.

Q. And that was the result of the work of the committee, bringing together certain of the growers through the Ontario Department of Agriculture?—A. For this next year. Before, it was done partially at the suggestion of the buyers, and partially because our own production costs were going up and the revenue was going down.

Q. Now, in the field of cured tobacco I understand that there are two associations which work together?—A. Yes.



Q. What associations are they?—A. There is the Ontario Flue Cured Tobacco Association with headquarters at Simcoe, of which Mr. Perrett is the secretary, and then there is what is called the Southern Ontario Co-operative Tobacco Growers with headquarters at Tillsonburg.

Q. And they have been co-operating with a view to improvement in the selling of your product?—A. Yes, sir.

Q. And disseminating information for the growers?—A. Yes.

Q. And through these associations you have been providing the service that has been described this afternoon by Mr. Scythes?—A. Yes, we will call it an inspection service.

Q. And through those same associations you have been bringing about an arrangement for a reduction in crop?—A. For next year.

Q. For next year?—A. Yes.

*By the Chairman:*

Q. Why the reduction?—A. Well, probably the main reason was that there is still from 40 per cent to 50 per cent in the growers' hands.

*By Mr. Sommerville:*

Q. Of last year's crop?—A. Of last year's crop. That has something to do with it. The large buyers were certainly urging us to reduce, and that was one reason we reduced two years ago at the suggestion of the buyers, because they were afraid there was a surplus accumulating. This year they have certainly been very active in co-operating with the growers' associations in securing this reduction.

Q. And you have in your association an arrangement also with the buyers, that the larger buyers will favour those who are handling the reduced acreage, have you?—A. I believe that is correct although I have no definite knowledge.

Q. Now, you have had substantial experience with the tobacco business, for how long?—A. I had an unfortunate experience with the Burley tobacco business in 1926 and 1927; that passed out. Then we went into the flue-cured tobacco business, with Mr. Freeman as manager of our company, in 1928, and Mr. Freeman remained with us for a little more than three years, and since then my son has managed the company.

Q. And in that company you have this acreage that you refer to, of 2,000 acres, and do you crop through tenant farmers?—A. Our tobacco is raised through the share-man plan.

Q. And what has been your experience in the growing of your tobacco upon that plan during the past few years, Mr. McKay; give the committee the benefit of your experience and suggestions.—A. First as to the method of growing tobacco through the share-plan system, I am convinced that that is the most economical method by which tobacco can be produced in Ontario. Some of our shareholders think not; some of our directors think that the share the sharemen receive is out of proportion. I have, after careful examination and study, convinced myself that the 50-50 division is as reasonable as anything can be. When one remembers that these are men who are content to live in a very simple and economical manner, with small homes, and their wives and children working from,—I have known it to be from four o'clock in the morning till midnight sometimes, if possible, at any rate till the moon comes up, and sometimes only stop when the moon has gone down. That is how they work during the harvest season, in most instances, whereas if we had to hire that help my conviction is that the costs would be increased from 25 per cent to one-third, if we had to pay labour that would work on an hourly schedule.

*By Mr. Young:*

Q. When you adopted this new system of harvesting by which you had to put on twelve to thirteen instead of six or seven persons to harvest the crop, that whole additional burden fell on them did it not?—A. Yes it did.

Q. The land owners did not take any of it?—A. There is a measure of truth in that. Possibly there were other restrictions eased up on the share-men. The company realize that the share-men have to get money; the company has to finance the share-men; they have very little money. Many of them are Hungarians, Hollanders, or Belgians, and some Southerners who have passed out of the picture in the southern States, but they have very little money, so that the company has to finance these people, and we have financed them sometimes to our loss.

Q. You financed them before this thing really came in, just the same?—A. Well, that enters into the whole picture. We finance them every year for their necessities of life.

*By Mr. Sommerville:*

Q. And what has been your experience with the declining price for flue-cured tobacco, Mr. McKay?—A. When we organized our company in 1928, the price was supposed to have been at an average of 35 cents. The prospectus that was issued for our company was on that basis; we have 325 shareholders in our company and the stock was sold on that basis. It has been as high as 60 cents a pound but we did not take that as normal; we took 35 cents as probably normal. For the first two years of our operation we paid a dividend on the preferred stock.

Q. You paid a dividend on the preferred stock?—A. On the preferred stock. Nothing has been paid on the common, and nothing has been paid on the preferred since 1930. Small dividends were paid; we did not pay the full dividend in 1930; the preferred dividends have accumulated ever since.

*By the Chairman:*

Q. Does the preferred represent the actual investment?—A. Yes, less cost of organization, and so on. Every dollar of it was invested by Mr. Freeman who, I might say, is probably as economical a manager as there is on the American continent.

*By Mr. Sommerville:*

Q. And probably experienced?—A. Yes.

Q. Your own experience has been that your association has not been able to make enough money to pay preferred dividends to your preferred shareholders?—A. That is right.

Q. Since 1930?—A. That is right.

*By Mr. Factor:*

Q. What happened to the sharemen, the tenant farmers?—A. They are hanging on, hoping probably things will be better. Some of them stick but a great many of them have gone back to Belgium. Some of them are in the hands of the sheriff, in jail for debt. We have lost money to the sharemen to whom we advanced money for their grocery bill and their butcher bill.

*By Mr. Sommerville:*

Q. What about the position of the president of the company? I suppose he has shared in the general depression, has he?—A. The president is in the position of the sharemen. He has not drawn one dollar for being president of the company since it was incorporated, and he has given from one-third to one-half of his time.

Q. Apparently you are speaking feelingly, then, of the fact that no money has been made?—A. Yes.

Q. And out of your own experience?—A. I feel the obligation to my shareholders.



Q. What do you say as to the price received in relation to the cost of production?—A. I would rather not be quoted in that matter. I am not close enough to the proposition to know the details. I know what my balance sheets show but as for expressing an opinion on that point, I would rather be excused.

Q. What suggestion have you to make as to how we might arrive at the cost of production of your companies and owners?—A. Well, gentlemen, I am looking for peace in the industry. My desire is, if possible, to secure some basis which will avoid the unpleasantnesses that have cropped up in the industry during the past three years, particularly. It has been a very unpleasant experience. I hope from the investigation that is on just now, and the negotiations that we are having, that some method may evolve which may make it possible to eliminate the friction that has cropped up in the industry; otherwise I can see no future for the industry at all.

Q. What has been the occasion for that?—A. The cause of that has been the sudden drop in the price; only that. Otherwise, our relationships—I am only speaking for myself and my son, who is manager of the company—have been exceedingly pleasant.

Q. The falling off in the industry has been because of the drop in prices, you say?—A. Yes.

Q. And if that continues they cannot continue?—A. Quite so.

Q. Is it because of the falling off, the prices obtained have been less than the cost of production—the prices obtained by farmers have been less than the cost of production?—A. Yes.

Mr. FACTOR: When you say "farmers" you mean the owners?

Mr. SOMMERVILLE: Growers. The shareman is interested in the price as much as the owner.

Mr. FACTOR: He gets 50 per cent.

*By Mr. Sommerville:*

Q. What recommendations or suggestions have you to make?—A. I have a little statement which I would like to give, with the permission of the committee. It represents no official opinion. It has been submitted to several of the growers, but I do not want it to be considered as representing any organized opinion whatever. It represents my opinion and that of several others whom I know, further than that I would ask not to go. It is submitted with all possible humiliation and respect to the committee, not that I think we can find any new heaven and new earth, but such as it is I would ask the committee to accept it. The first part of this statement calls the attention of the committee to the differences that exist between tobacco growing and other forms of agricultural production. It is so difficult to get all these facts across to the outsiders that I have gone into a little laboured explanation to name some of those differences.

In many respects there is no parallel to the tobacco industry among the agricultural products of Canada. For these reasons it would appear to offer a unique opportunity to adjust the wide spread between the producers' receipts and the consumers' cost.

Stated in the briefest possible terms some of the features that distinguish the tobacco growing industry from other branches of agriculture are as follows:—

1. Tobacco growing occupies a particularly favourable tariff position, having a protection of forty cents per pound on imported raw leaf, a figure double the price paid to the Canadian producer. Further the preference on empire grown tobacco entering Great Britain is 49 cents per pound, a most generous preference. Thus, if the law of supply and demand were allowed to function freely, the Canadian producer should enjoy a highly prosperous condition.



2. The soil from which flue-cured tobacco can be produced is strictly limited and is confined to a compact area in southwestern Ontario, the district contains not more than about 30,000 acres. This is an estimate, which may be subject to criticism. However, it is my estimate, and being fairly familiar and having a fairly familiar connection with the area, I say it consists of not more than 30,000 acres capable of producing flue-cured tobacco. Now, that is a figure that I do not say is altogether authentic.

*By Mr. Factor:*

Q. In the new belt?—A. In the new belt. Essex county is very limited now. A small section of British Columbia is still in the experimental stage. This being the case, the variations in costs of labour, raw materials, freight rates, interest, etc. which complicate the efforts to deal with returns to agriculturists do not apply in the case of the tobacco farmers. Because of the concentrated area, the factors I have mentioned, freight rates, labour costs, raw materials and so on, are uniform over the whole area.

3. At the present time about ten million pounds of unmanufactured tobacco, of practically an identical type with that grown in Ontario are imported into Canada annually notwithstanding the high rate of duty imposed. I am making that statement, and obviously no doubt it will be disputed by the buyers who bring in the tobacco; but I have asked many many men from the southern states, men who come up to cure our crop, men who are sharemen, what the difference is between the Norfolk tobacco and the Carolina tobacco, and almost invariably I have been told by those men who cure that crop that they cannot tell the difference. These are men who have had experience in both crops. So therefore I say at the present time about 10,000,000 pounds of unmanufactured tobacco, of practically an identical type—that is an average. I say 10,000,000 pounds, but as high as 18,000,000 pounds have been imported, and sometimes 15,000,000 pounds—it is now down to 8,000,000, but I think 10,000,000 would be the low average—with that grown in Ontario, are imported into Canada annually notwithstanding the high rate of duty imposed. So long as this is the case it is difficult to see how there should be any actual surplus of the Canadian product. An artificial surplus may of course, be created; but as far as the actual surplus of Canadian tobacco is concerned, as long as this amount is being brought in, I do not think there should be any actual surplus.

Q. May I interrupt you there and ask you whether the companies find it necessary to import the tobacco in order to blend the cigarettes?—A. You will have to get that answer from those who know more about it than we do. No doubt that is the answer they will give. We cannot say anything about that other than to give you the opinions I have just quoted of southerners who say that the tobaccos are identical. If that is so, I do not see why it should be brought in.

*By Mr. Sommerville:*

Q. At any rate they are bringing it in, and they apparently are bringing it in for blending purposes?—A. Quite so.

Q. I presume they would not bring it in and pay duty on it if it was not necessary?—A. They had some object.

Q. For blending purposes?—A. Well, there is some object in bringing it in.

*By Mr. Senn:*

Q. Might there not be another factor that enters into it? Do you know whether or not there is a drawback of duty in case the tobacco is exported after being manufactured?

*By Mr. Sommerville:*

Q. Mr. Senn was just wondering whether or not you knew if there was a drawback on that tobacco after it was manufactured?—A. I believe not, unless it is exported out of the country, and not sold in Canada at all.

*By Mr. Senn:*

Q. Might not that be the explanation of it?—A. I think there is very little manufactured tobacco exported from Canada, very little as I understand; I never heard of any.

*By Mr. Young:*

Q. We have been told that in 1932 we produced in Canada 54,000,000 pounds. The figures for 1933 are not complete, are they?—A. No.

Q. While the crop was as great as in 1932,—A. That includes, too, the dark fine tobacco, you know. Flue-cured tobacco would not be more than 23,000,000 to 24,000,000 pounds.

*By Mr. Sommerville:*

Q. The production of flue-cured tobacco was expected to amount to about 22,000,000 pounds for 1933 as against 29,000,000 for 1932?—A. Yes.

*By Mr. Young:*

Q. You say about half that is still in the growers' hands?—A. Various estimates, 40 per cent; some say 50 per cent.

Q. In other words, there is just about as much of that grade of tobacco in the growers' hands now as is imported from the United States?—A. Some in the hands of the processers; all being processed and in the hands of the processing companies.

Q. That about equals the amount imported; is that right?—A. Equal to the amount imported.

Q. Your claim is if you shut out that tobacco that is imported, you could sell all your tobacco?—A. I think we could.

Q. You reduced the acreage on your farm alone by 100 acres?—A. Nobody can tell what the poundage will be. The acreage may be down, but in 1932 my company had an average of 1,120 pounds per acre; a remarkable production.

Q. This importation of 10,000,000 will only help you so long as both acreage and yield are constant? If the acreage goes up and the yield goes up, you will still have a surplus, even if you do not bring in any from the States?—A. It is now getting to the point where they very closely balance each other, and one has to take some chance on the weather. I mentioned that factor in regard to the imports coming in again to show that tobacco has no parallel among the agricultural products of the country.

4. At the present time two co-operative associations—we call them co-operative associations but they are tobacco growers' associations.

*By Mr. Sommerville:*

Q. They are not co-operatives in the ordinary sense?—A. No, not the ordinary sense.

Q. They co-operate for certain purposes?—A. Yes.

Q. To disseminate information and to spread marketing information?—A. Quite so. At the present time two co-operative associations of tobacco growers are functioning in the area, and these represent 80 per cent of the production. Those are the figures of this organization. I think Mr. Freeman said 70 per cent. Their joint efforts, in conjunction with some of the large buyers, are being

exerted to secure a reduction of 25 per cent in the acreage for 1934 in order to make certain there would be no carry-over next year. This feature also distinguishes tobacco growing from any other products of the farm.

Q. You would not think that it would be possible to make that kind of an arrangement with that percentage of growers of other agricultural products?—A. Quite so. These co-operative associations are functioning in a confined area.

5. The industry has now been in operation for a sufficiently long period to have established reliable figures as to costs of production. Fortunately a large portion of the enterprise is carried on by well organized and generally speaking, well financed limited liability companies. These concerns, necessarily keep records from which accurate data are available as to costs of production and receipts for products. This information is available in but few if any other branches of agriculture. I do not know of any other branch of horticulture or agriculture where such accurate details as to revenue and expenditure can be secured as are now available in this particular industry through these companies.

6. The plan of operation in the tobacco growing industry is through sharemen, except in the case of most of the individual growers. The sharemen receive 50 per cent of the money received from the sale of the crop. For this they provide all the labour except that of the executive officers of the company. Any plan therefore that may be revised to secure a larger price to the grower will automatically provide for a similar increase in the amount received by the labourer.

Mr. FACTOR: Goodness knows they need it.

The WITNESS: That is a very important point. We are stressing that now to show that we are not asking everything for ourselves. If these men were not sharing 50-50 with us, there might be a tendency on the part of the companies to extract for themselves 100 per cent of whatever benefit may come from the increased prices. As it is provided here automatically the workingman who, as I say, sometimes works from four o'clock in the morning until 10 at night, will receive his share of the benefit.

*By Mr. Sommerville:*

Q. At any rate, the increased price you hope to get would be passed on?—A. Half of it.

Q. To the working man?—A. Yes.

Q. At the present time the saving in price apparently has not been passed on to either the producer or the consumer?—A. I think that is right. Again I say it is doubtful if this feature applies in the case of any other farm crop.

7. While the industry has been in existence for about 20 years, it is only within the past six or seven years that the substantial development has taken place. The potentialities of the British market are still almost untouched notwithstanding the rapid growth in the export to the British market of the past three years. It may therefore be said that this is truly "an infant industry," and that can be said of few if any other Canadian farm products. Canada has been growing grain, live stock, apples and chickens for many years, but in this particular industry, we do claim that it is an infant industry and is worth fostering in any way possible.

*By Mr. Young:*

Q. It cannot possibly grow very big, if you have only 30,000 acres of land suitable for it?—A. It is pretty big now. The figures that are represented by the growth in this industry are pretty substantial figures. I have seen the statement made—I do not know whether it is accurate or not—that the amount paid at the low price for tobacco is equal to that paid for the entire apple crop of Ontario, scattered from one end of this province to the other.



*By Mr. Sommerville:*

Q. The price paid for the crop last year was \$5,250,000?—A. I made the statement as I heard it, and I do not know whether it is accurate or not. It indicates it is already, at least, a substantial industry, and may become larger.

Q. Your point is you may develop the potentialities of the British market?—A. Yes.

Q. The British market at present imports 197,000,000 pounds of tobacco, of which last year we exported about eight or nine million pounds, and you say the potentialities of the British market are very great, they have imported from the United States about 157,000,000 pounds?—A. Yes.

Q. With your tobacco improving in quality, and with special efforts being made to encourage the development of the British market, you think there are great possibilities there?

Mr. EDWARDS: And the preference.

*By Mr. Sommerville:*

Q. And with the preference of 49 cents a pound?—A. Yes, that is correct.

Mr. EDWARDS: With the drawback on that tobacco.

*By the Chairman:*

Q. Are there any impediments in your way, to prevent your exporting to the British market now?—A. None whatever that we can see.

*By Mr. Young:*

Q. Is this not an impediment, that they have fixed a price over there at 16 cents? You can't care much for that, 16 cents?—A. The 16-cent tobacco costs \$2 to get into Great Britain. The rest costs \$1.51 to get into Great Britain.

*By Mr. Factor:*

Q. Following up the Chairman's question, what is there to prevent you from developing your export market to Great Britain?—A. We don't see anything. I think it holds out wonderful possibilities for taking care of any surplus we can produce.

*By Mr. Sommerville:*

Q. Who is the largest buyer in the British market?—A. The Imperial of Great Britain.

*By Mr. Factor:*

Q. Then does the Imperial of Great Britain buy their requirements through the Imperial of Canada?—A. They did last year.

Q. That sort of puts you out of the picture entirely, does it not?—A. We hope not.

*By Mr. Sommerville:*

Q. There are some independents in Great Britain?—A. Yes, some very large buyers—Gallaghers and Godfrey Phillips, and so on. Godfrey Phillips, I think, have put a cigarette on the market in Great Britain and called it "Canada Club," made practically exclusively of Canadian tobacco, which would indicate that the quality of Canadian tobacco must suit the English manufacturer to that extent.

Q. And these independent manufacturers have, at any rate, been largely responsible for a large quantity of the importation into Great Britain?—A. Yes.

Q. Last year the importation of 6,000,000 pounds by the Imperial Tobacco Company of Great Britain and Ireland came through the Imperial Tobacco Company of Canada?—A. Yes.

*By Mr. Factor:*

Q. Why do these independent buyers still go to the United States to get their requirements?—A. The answer to that would be the same as was mentioned before, to continue their blend. They have been buying tobacco from the United States for many generations, and no doubt they have very intimate connections down there; and for various reasons they are still buying largely in the United States.

*By Mr. Senn:*

Q. Were there any representatives of these independent companies buying tobacco here this year?—A. Last year?

Q. This last crop?

Mr. SOMMERVILLE: Gallagher's representative.

The WITNESS: I think very little has been sent to the United Kingdom from Canada of the 1933 crop.

*By Mr. Senn:*

Q. Have you any idea why their buyers have not been here?—A. I have not, no.

Mr. SOMMERVILLE: I think we may have some evidence on that.

The WITNESS: Yes.

*By Mr. Sommerville:*

Q. Now, Mr. McKay, will you continue?—A. Yes. There is no difference of opinion regarding the very generous profits made by the large Canadian tobacco manufacturers during the past quarter century. The facts in this respect are a matter of public record. Neither is there any difference of opinion as to the severe losses sustained by the tobacco growers during the past few years. Here again a situation exists differing from that of other products from the farm, for in many cases the buyers and processors of farm products have not enjoyed much, if any, prosperity for some years past.

*By Mr. Factor:*

Q. The buyers?—A. I just call the attention of the committee to that fact that the men who have bought from the farmer, and sold, have also had their misfortunes and their evil days.

*By Mr. Sommerville:*

Q. You are referring to the middleman?—A. Quite so.

*By Mr. Factor:*

Q. You except tobacco buyers?—A. And I would say some of the packers.

Q. You exempt tobacco buyers from that, do you? I say you don't charge that against the tobacco buyers?—A. Well, there are exceptions in all rules.

*By Mr. Sommerville:*

Q. Yes, will you continue?—A. Just one more sentence under that heading: In the case of tobacco there are practically no middlemen to divide the spread. That is the point I am making under that heading, that there are no middlemen to divide the spread.

In the matter of tobacco the product is sold to the ultimate consumer through retail channels by the same parties—the same persons or companies—who buy the raw leaf.

Q. And the retail channels are owned and operated by the same channels?—A. To a considerable extent.

Q. Will you continue?—A. Yes. The manufactured article is largely sold under price maintenance agreements, and prices have varied little, if any, for several years.

Q. What you say is that the tobacco industry is again unique in that the manufacturer buys from the farmer and sells to the consumer through his subsidiary in the retail trade?—A. Yes.

Mr. FACTOR: Under agreements.

*By Mr. Sommerville:*

Q. Under price maintenance agreements?—A. Yes.

*By the Chairman:*

Q. You have no objection to the price maintenance system?—A. No, no, no. I think it is an advantage, Mr. Stevens. I think it is an advantage, and I don't want to be misunderstood as making any criticism of that feature.

*By Mr. Sommerville:*

Q. You are referring now just to the unique position of the tobacco industry as compared with other industries or any other branch of agriculture?—A. Yes, as you will see from my next sentence.

Q. Yes?—A. These prices—that is, the prices at which this retailing is carried on—are not subject to worldwide influences such as cause such wide fluctuations in the matter of fruit, live stock, grain, et cetera. Thus the buyer of raw leaf tobacco does not risk his money in a speculation when he buys from the grower, for he knows fairly accurately what he is to get for it. It is doubtful if a similar situation exists in the case of any other farm product.

Other differences existing between tobacco and other crops might be cited, but probably sufficient has been mentioned to show that no parallel exists.

The object in presenting the above facts is to show the committee that it should be a much more simple and practicable problem to find a remedy for the ills that afflict the tobacco grower than for those of other farm products. With this in view, the following outline of a plan of operation that would be fair to all parties and at the same time lasting and practicable, is respectfully submitted. Now, as I said at the beginning—

*By the Chairman:*

Q. Mr. McKay, if you don't mind, I would like you to read that through promptly, because it is getting near six o'clock?—A. I will just read it straight through. I would like to qualify it again by saying that this does not represent the area—does not speak for the entire area.

That the larger growers be requested by this committee of inquiry to submit to a firm of auditors to be named by the committee, their balance sheets covering a period of say the last five years; that from these statements a figure be arrived at which would constitute the average cost of producing a pound of flue-cured tobacco, as shown by the various companies during the past five years. This figure would have to include, in addition to labour, raw materials, et cetera, an allowance to cover interest on capital actually used in operation or invested in real estate and plant; also provision for depreciation at standard rates, and to



cover reasonable administrative salaries and other expenses. Any company which undertook to pay fancy salaries would be penalized, but we would ask for at least reasonable administrative salaries.

After such a figure had been established, the grower would be paid a price which would give him a reasonable profit, the percentage rate to be fixed either by this committee, the marketing board or some other government authority.

The cost figures arrived at as suggested would be subject to revision from time to time if either party to the agreement so requested. Thus, if the manufacturer found it necessary to reduce his price to the retailer, or consumer, he would make application for a reduction in the cost of his raw material, that is our tobacco; or if the grower found his costs of fertilizer, taxes, insurance, et cetera rising, he would similarly be entitled to an increase in the price he received.

Two of the outstanding advantages of the plan suggested are that it would not only put the entire industry—grower, processor and manufacturer alike—on a firmer basis than has been possible under the loose merchandising methods heretofore practised, but it would be automatic and permanent in its operation.

*By Mr. Sommerville:*

Q. It would not increase the cost to the consumer?—A. No, it would not increase the cost to the consumer, not at all.

Q. That is your suggestion for one means of arriving at a more reasonable spread in the price?—A. Yes.

Q. Arriving at the cost of production from the united statement of all those operating in a large way, and endeavouring to arrive at that basis of cost, and that being then brought about as the price to be paid for the product?—A. Yes.

The CHAIRMAN: Thank you, Mr. McKay. It is now six o'clock, and we will adjourn. We will meet to-morrow at eleven.

The committee adjourned at six p.m., to meet again on Wednesday, April 25, at 11 a.m.

HOUSE OF COMMONS, ROOM 368,

April 25, 1934.

The special committee appointed to inquire into price spreads and mass buying met at 11 o'clock, Hon. H. H. Stevens, presiding.

Mr. Norman Sommerville, K.C., of Toronto, and Mr. W. W. Parry, K.C., of Toronto, appeared as counsel for the committee.

The CHAIRMAN: Order gentlemen. The minutes of yesterday's meeting are before me. They record the witnesses examined and certain exhibits filed, and in the afternoon meeting they refer to witnesses called and documents filed. Unless there is some question, I declare the minutes adopted.

Is the Macdonald Tobacco Company represented here to-day? I might say they were invited to be here yesterday and to-day, but apparently they are not here.

W. F. KINGSTON, called and sworn.

*By Mr. Sommerville:*

Q. Mr. Kingston, you are a tobacco grower?—A. Yes sir.

Q. In Norfolk county?—A. Norfolk and Elgin.

Q. And you have been growing tobacco how many years?—A. Since 1927.

Q. And you are the owner of how many acres?—A. Well, between three and four thousand acres.

Q. Which is your own land?—A. Yes.

Q. And in which you made your own investment?—A. Right.

Q. Investing your own money in the enterprise?—A. Yes.

Q. And you crop about what proportion annually—last year, for instance?—A. Last year I had in about 1,350 acres in actual crop.

Q. And what was your production last year per acre?—A. Well, we got between 1,100,000 and 1,200,000 pounds. Our land is light, lighter than most of it. It is what they call the plain field sand and it grows a thin type of cigarette tobacco. Only runs about 800 pounds to the acre.

Q. But you grow a good type of tobacco?—A. Yes, I believe we do.

Q. Now, will you just tell us what your experience has been in the growing of tobacco from 1927 to the present time, having relation to your getting into the business?—A. I have written down about all I have to say for each year on this piece of paper. I would like to explain that I am not a member of any of these groups.

Q. You are not a member of any organization or any group?—A. No.

Q. You operate alone?—A. Yes.

Q. But you operate your farms on the same basis as many others; that is on the share plan basis?—A. Yes, I do.

Q. And you have how many farmers operating on your share plan basis?—A. Well, it varies with different years. Sometimes we double up our crops and sometimes we subdivide them. The most I have ever had is forty-two crops.

Q. That is, the most you have had is forty-two tenant farmers on your own privately owned land?—A. Yes.

Q. And you have had forty-two crops in the one season from the forty-two owners?—A. Yes.

Q. And what is the unit that is the most economical to operate from the standpoint of the tenant farmer?—A. Well, with the one team outfit about 30 acres is about right, but if you increase it more than that then you have to supply two teams and more equipment. Supposing you put in 45 acres, probably you will have to have two planters and various things.

Q. So that the most economical enterprise is conducted on a basis of about 30 acres?—A. Around 30.

Q. To the unit?—A. Yes.

Q. Now, then, will you just give us the benefit of that experience?—A. In that year, 1927—that is the year I started in tobacco up in Canada—I grew Dark Fired at Port Talbot, and that is the year I bought my flue-cured farms. I bought them in the middle of the summer and it was too late to crop them. The price of flue-cured tobacco was 45 cents for the top price.

Q. For the top price on flue-cured in 1927?—A. Yes.

Q. And at that time, and in view of that price, you bought largely the farm which you now own?—A. Yes, that is true.

Q. Bought practically the whole acreage?—A. No, half.

Q. Half of the present acreage?—A. Yes.

Q. And then you equipped the acreage you bought?—A. Yes.

Q. Several thousand acres?—A. I bought about half of it. The following year I bought the balance.

Q. You bought the balance the following year—1928?—A. Yes.

Q. At that time what was the top price—in 1928?—A. 1928 I put half of it into crop and the top price was 40 cents, and I had, probably, that year about 600 acres in crop, but it was all hailed out, except two crops. All our land on the Hazen Road was hailed out. That is where our big holding was at that time. But we had a crop at Maybees Corners that was not hailed out, and another crop that was not hailed out.

Q. You had how many acres hailed out?—A. 500. At that time we had no hail insurance at all. This hail insurance, while it is a help, is not a protection against hail, because since I have had hail insurance I have had land hailed out, and they come over and they estimate how much was hurt and all that, and you get part back, but you do not get what you would have if you had harvested your crop. That is true. In 1928 we had those 500 acres hailed out, and the other crops I sold at 38 cents.

Q. Your crops produced nearly the top price, that is, the ones that were not hailed out?—A. It was a good price, but it was good tobacco.

Q. And having relation to the top price, it was good tobacco and a good price for that tobacco?—A. Yes. Now, in the year 1929 I had everything arranged and larger buildings and kilns and greenhouses and so on, and I had in that year about as much land as I put in now, and it was average price that year. We had a great deal of trouble that year with blow-outs. We were blown out three times.

Q. What do you mean by blow-outs?—A. When we plant the plants and storms come, and this is light land and sometimes they cover up the plants with sand and kill them, and then you have to replant. I had to replant a good deal that year—three times. So, when I finally got a stand—that means when your plants are coming up—it was a little bit late; but still we had a good stand of tobacco, and it was sold at an average of 35 $\frac{3}{4}$ . The top price that year was 40 cents. But we had a frost before I got it all off, and about \$120,000 worth of my tobacco was frozen—was left in the field—because I only got that year 587,000 pounds of tobacco, and I should have had 1,000,000. The next year was 1930 and we had good luck, and the top price was 40 cents, and my average price was 37 cents. In the year 1931 the top price was 30 cents and our average price



was 27 cents. Now, that was the first time—no, it was not the first time, 1930 was the first time—I sold any tobacco in England. I sold five crops that year to Gallaher.

Q. In Belfast?—A. In Belfast.

Q. That is by reason of the fact that you had a large quantity and you could grade your tobacco?—A. No, it was bought in the barn run; and I would like to go on record here that I favour selling barn run. I like to sell barn run rather than pack.

Q. At any rate, that year you did sell— —A. That is the first time I sold abroad. Now, in 1931, the top price was 30 cents.

Q. That was the crop of nineteen— —A. 1930.

Q. And it sold in the year?—A. 1930.

Q. The fall of 1930?—A. Yes. I sold a portion of that to Gallahers.

Q. Did they have a buyer here in Canada?—A. Well, their representative is here, Mr. Maunder. In 1931 the top price was 30 cents and my average price was 27. Now, I had a certain amount of tobacco that year which I could not find a market for in Canada, and I sold it in England to Carrera. That year the price had dropped, and I lost half my growers. The ones that had money in the bank, four or five thousand dollars, were afraid to grow again and they packed up and went back to Belgium.

Q. That was the year when the price dropped from a top price of 40 cents to a top price of 30 cents?—A. Yes.

Q. And on that price the average you got was 27½?—A. 27.

Q. And on that price you say you lost half your growers?—A. The best ones.

Q. They gave up growing tobacco and went back to Belgium?—A. Yes.

Q. Was that because of the reduced price which they were getting?—A. They did not want to take a chance with their money any more.

*By Mr. Factor:*

Q. Who purchased the 1931 crops?—A. My 1931 crop?

Q. Canadian buyers?—A. The Canadian Leaf Tobacco Company, Dibrell Brothers, \$83,000 worth to the Imperial Tobacco Company of Canada and the balance went to Carrera.

Mr. SENN: I would like to find out how the domestic price compared with the export price.

*By Mr. Sommerville:*

Q. You say you had a quantity that you sold in Canada that year and then you had a quantity that you sold in the old country?—A. Yes.

Q. And how did the domestic price compare with the price you got from the old country?—A. You are talking about 1931?

Q. Either year, both years, if you have it?—A. In 1930 the tobaccos that we sent to Gallaher were sent at a price of 35 cents and it was supposed to be adjusted if it graded better, but we never got any increase.

Q. 35 cents was the price?—A. Yes.

Q. And what was the price that you got for your domestic tobacco that year?—A. My entire average was 37 cents, taking that at 35 cents.

The CHAIRMAN: That was in 1930?

The WITNESS: That was in 1930.

*By Mr. Sommerville:*

Q. On your 1929 crop?—A. No, on the 1930 crop.

Q. Now, what do you say about 1931?—A. In 1931 the tobacco I sold to Dibrell Brothers went to England. That was 30 cents; and the tobacco I sold to the Canadian Leaf was 30 cents, and the tobacco that I afterwards took to

England myself, which I could not sell in Canada, was a lower price, about 23 cents, barn run.

Mr. YOUNG: Was it the same quality?

The WITNESS: It was not as good. That is why I did not sell it here; I could not get them to take it.

Mr. SOMMERVILLE: In 1931 you did not find the market for it here, and you took it to England?

The WITNESS: Yes. It was good, useful tobacco, but, probably, a little on the heavy side, not so much of it cigarette type as pipe type.

The CHAIRMAN: You averaged 27 cents that year?

The WITNESS: 27 cents. In 1932 the price was 24 cents for the top and our average was  $17\frac{3}{4}$ ; but at that time—I will bring this in because I think it is very interesting to Canadian growers—that was the year that while the price was not so good the quality of the Canadian tobacco improved very much, and that is the year that Mr. Buell of the Imperial Tobacco Company sent out that letter stating that his company would prefer types of tobacco, I think, White Stem Orinoco and Yellow Mammoth, and they would prefer to have the tobacco all primed.

*By Mr. Sommerville:*

Q. At that time they requested the growers to change the variety of tobacco they were growing?—A. And the method.

Q. The method of harvesting?—A. Right.

Q. First of all they asked you to change from the then types to the Orinoco and the—A. Yellow Mammoth.

Q. And as a result of that letter in that year 1932 the growers did put in Orinoco and Yellow Mammoth?—A. Yes.

Q. And as a result they got a good quality of cigarette tobacco?—A. I think that was a good policy for the Canadian tobacco industry.

Q. And that request came from the Imperial Tobacco Company?—A. Yes, by letter.

Q. And, also, the Imperial that year requested that the growers change the method of harvesting?—A. Yes.

Q. Formerly it had been the stemming?—A. No, split stock.

Q. By which they cut?—A. They split the stock and cut it off at the bottom.

Q. And dried the leaves together?—A. Yes.

Q. And they asked that the method of harvesting be changed to what is called priming. That is going over your crop several times and taking off the leaves as they mature and harvesting the leaves and curing them separately?—A. Yes.

Q. And by reason of those two changes both in the quality of the product—the character of the product grown—and the method of harvesting there was a big improvement in the quality of the Canadian product?—A. No question about that.

*By Mr. Factor:*

Q. And also a big drop in the price?—A. Well, it was not the quality; the quality was better.

*By Mr. Sommerville:*

Q. The quality was better?—A. Yes.

Q. Notwithstanding the meeting of the request for an improved quality, and the growing of an improved quality, the price dropped how much?—A. Well, the top price that year was 24 cents.

Q. Instead of 30 cents?—A. My average that year was  $17\frac{3}{4}$  cents. I have not sold only to two customers—the Imperial and the Canadian Leaf.

Q. Now, the previous year your average had been  $27\frac{1}{2}$  cents?—A. No, 27 cents.

Q. And that meant that with this improved quality of tobacco meeting more nearly their request and requirements, the best you could get on your average was  $17\frac{3}{4}$  cents?—A. That is what I got.

Q. And that was, you say, good tobacco?—A. Oh, yes; it was in 1933.

Q. What was the effect of that dropped price upon the growers?—A. Well it was not very good and the whole point out here, Mr. Sommerville, is that at various times a good grower with his own money, and so on, gets loathe to invest it in the crop because the crop has a good many hazards, you know, unless it looks attractive to him. I have paid out myself as high as \$15,000 in a year to the bank to take up loans that they have made to growers that I backed, you see, and these growers of course, quit, and go somewhere else. You never get your money back.

Mr. FACTOR: That is Canadian leaf tobacco?

The WITNESS: There is a processing plant at Chatham owned by the Universal Leaf Company of the United States. They are big tobacco processors at Chatham, and they have been very helpful to the Canadian industry.

*By Mr. Sommerville:*

Q. They buy the product?—A. Sometimes they buy it, and sometimes they just process it for somebody else; they are both leaf merchants and processors.

Q. Are there large buyers also in the field?—A. At times.

Q. Representing, as you say— —A. I have sold them several million pounds since I have been in business.

Q. What was your experience the next year?—A. Last year, 1933, a top price of 24 cents; my average was  $20\frac{1}{4}$  cents. I sold all that to one firm, the Imperial.

Q. The Imperial Tobacco company bought the entire output?—A. Except 69,000 pounds. I had an offer on that but I didn't take it.

Q. What was your entire production in 1933?—A. Well, it was between 1,100,000 and 1,200,000 pounds of flue-cured—I am not talking of air-cured.

Q. In addition to that you had some air-cured?—A. Yes, that is sold too.

Q. What was your production in 1932?—A. Well, it was pretty close to the same.

Q. About the same?—A. It was lower in 1931. I cannot just recall it, I did not bring those figures with me.

Q. At any rate your production was— —A. It was up in that range, but last year was the biggest crop year we ever had by about 100,000 pounds.

Q. You had more last year than the previous year?

*By the Chairman:*

Q. You mean in 1933 or 1932?—A. 1933. 1933 was a poor year. Our line is light and it is the dew and the heavier sands that makes it very dry. The sun hits on it and they have a sort of mica content, which gives a rim fire and so on. But our land seems to be all right in any kind of weather; but we got a light yield.

*By Mr. Factor:*

Q. How does the average price of  $17\frac{3}{4}$  cents that you received in 1932 compare with the cost of production?—A. It is under.

Q. Under the cost of production?—A. Yes.

Q. What about the  $20\frac{1}{4}$ ?—A. I am coming to that.



*By Mr. Sommerville:*

Q. Now Mr. Kingston, because your own experience as a grower, investing your own money and operating on a large scale, you adopt the most economical methods?—A. We try to.

Q. What do you say is the minimum that should be required on the average price of your crop to meet production costs?—A. To make this a reasonable business matter, giving me a small return on what investment I have, we ought to get an average price of 30 cents a pound. That would mean a top price of 35, but of course when you say a top price that goes only for the very best crops, and remember all through the area involved, which is 20,000 acres or something like that, there would be a lot of poor tobacco. We claim we do not grow any poor tobacco; I do not think we do, but some do, you see.

Q. You say that 30 cents is the average price that should be obtained for the crop?—A. That is what I think.

Q. On the basis of your experience in the cost of production?—A. Yes.

Q. And that would give you a small return upon your investment?—A. Yes, and very small. If you had bad luck like I did the first two years, why you would just be out of luck then. But I think that 30 cents would give you your money back and a very small return.

*By Mr. Senn:*

Q. What average yield per acre are you basing that price on?—A. On my average yield.

Q. What is that?—A. About 800 pounds to the acre.

*By Mr. Sommerville:*

Q. You say that as a result of your own experience in your area?—A. Yes.

Q. And operating in the large way that you do and with a number of operators?—A. Yes.

*By Mr. Factor:*

Q. What is the reason you received only 17 $\frac{3}{4}$  cents in 1932?—A. Well, that was the market. I got more than the average price paid, I think.

*By Mr. Sommerville:*

Q. You got more than the average price paid, for your crop in 1932?—A. Yes, I would think so.

Q. So the average price throughout your district did not exceed 17 cents?—A. No, it did not.

Q. That is substantially below the cost of production, you say?—A. Yes.

Q. What is the future of the industry if such prices prevail?—A. Well, it is not very good.

Q. Of course, you men have your money invested there, and I suppose you just hang on like most farmers. You just survive as long as the capital lasts and the banks give credit?—A. Yes, but the banks will not give the growers credit any more. I have to put my name right across the notes.

Q. That is your experience of the effect on the growers as far as bank credit is concerned?—A. Yes.

Q. Was it possible to get bank credits for those growers up to 1930 when the price was 30 cents to 40 cents?—A. Yes. They would go in, sign their own notes. I would tell them where to go and explain to the bank manager the type of fellow he was, and how many there were in his family to work, the profit he had and how much in crop and so on, and they would get the money; I would not have to endorse the note.

Q. Since the drop in prices of tobacco, you find that the banks have restricted their credit and will not loan to those growers?—A. As a matter of fact, they are not very keen on tobacco loans any more, to growers. I think they have got a lot of them that have not been paid.

*By Mr. Kennedy (Peace River):*

Q. Is there a lot of family labour in connection with the tobacco industry?—A. Family?

Q. Yes?—A. Yes. We try to pick up families that have a lot of people in them.

Q. Is it hard work?—A. Well, it is hard work, but it is just the same as any other work.

Q. You do not think it is hard for the youngsters?—A. It is not the youngsters that work.

*By Mr. Sommerville:*

Q. The older people do the work?—A. I will give you an instance of one family. There is the father. At planting time he will drive the team, and he has a son and two daughters. One of the daughters is married and has a husband, and then they have other help which they hire. Now in the planting time, one has to sit here and plant with the left hand, and the other sits here and plants with the right hand.

Q. When you are planting your tobacco plants?—A. Yes.

Q. You use a planting machine?—A. Yes.

Q. Drawn by a team of horses?—A. Yes.

Q. One person drives?—A. Yes.

Q. And two persons sit at the back?—A. Yes.

Q. Just above the level of the ground?—A. Yes.

Q. On a level with your ridge?—A. Yes.

Q. As you drive along, they plant individual plants into the top of the ridge?—A. That is right. Every time the machine clicks, one drops a plant. This grower I am talking about is left handed, so she sits on this side—it is hard to get so many left-handed ones.

Q. That is efficiency plus?—A. It is. The machine clicks, and a shoe comes up and puts dirt around the plant that is put in, and it clicks again and a half pint of water goes around this plant, and after it has gone a space of 24 inches, it clicks again, and the fellow on this side plants one. That is the way it goes.

Mr. YOUNG: They alternate?

The WITNESS: Yes.

The CHAIRMAN: If he were ambidextrous he would do the whole job himself.

*By Mr. Factor:*

Q. What would be the average earnings of a family?—A. It varies. I would not go into that at all because I cannot tell you. But I was going to say, you are talking about having government inspection of crops and so on. Our manager, Mr. N. B. Clark knows as much about tobacco as anybody who came out of Carolina, and he is the only fellow I ever knew of who did this job that you spoke of. He planted all alone one crop; he did not have anybody on the other side. He did the whole job. He is the only fellow I know of who did that.

Q. My question is, on your system of sharing and growing tobacco, what would be the average earnings on a unit say of 30 acres?—A. You cannot put it that way. It depends on the number in a family, how they divide it up among themselves, how many outside help they have, how big the yield is, how much fertilizer they put in per acre, and things like that. You cannot get into that.

Mr. SOMMERVILLE: Also the return you get from your crop?

The WITNESS: Yes.

*By Mr. Factor:*

Q. In the year 1933 you say you got a return of 20½ cents per pound?—A. I lost some money on some growers this year.

Q. What happened to the sharemen?—A. Gentlemen, what I am saying is I had to pay notes for some of them.

*By Mr. Sommerville:*

Q. They were not able to pay their debts?—A. Yes.

Q. You had to pay them personally?—A. Yes.

Q. And you lost your growers as well?—A. Yes. I did not endorse the fertilizer notes for them, and the fertilizer men are out of luck on some of them.

Q. I understand there are large amounts owing to the fertilizer companies?—A. I cannot say as to that. I know some of my men and know they are not going to get their money out of some of my men.

*By Mr. Young:*

Q. Did you say there was a time when these men had thousands of dollars in the bank?—A. Once they had money in the bank, and the ones who had money in the bank all went back to Belgium.

Q. How long did it take them to accumulate the money?—A. Twenty years; they were all up in the Essex district, and more or less drifted down to the Norfolk district.

*By Mr. Sommerville:*

Q. When they saw the drop in tobacco they checked out of there?—A. They are very very thrifty people, Mr. Sommerville, and a dollar looks quite big round to them. It takes them a long time to earn it and the good ones hang on to it.

Q. You say the effect was to drive these people out of the industry?—A. Yes.

*By Mr. Kennedy (Peace River):*

Q. They started to leave at the time tobacco went down to 30 cents?—A. Yes, and the following year as well.

*By Mr. Sommerville:*

Q. When it went down to 24 cents, more of them left. Mr. Kingston, can you account for it, or was there any genuine excuse for the drop from 34 cents in 1930 or 40 cents in 1930, to 20 cents?—A. Well, the only thing that I would say to that is there was an increased production which came on quicker than the increased demand from Great Britain. We had been increasing our exports to Great Britain each year, but the year 1931 was a pretty large crop; it was a good growing season—

Q. A crop that amounted to what?—A. I cannot tell you from memory.

Q. At any rate, it was a big crop?—A. In years like that there is a considerable maturity of heavier lands that would crop 1,100 pounds to the acre, and from that a lot of tobacco—we do not consider it as good as ours—but it still has a lot of pretty good tobacco.

Q. Was there any reduction when the manufacturing companies bought this tobacco; was there any reduction to the consumer in the price of the manufactured product, that you are aware of?—A. Well, I am not familiar with that part of it.

*By Mr. Factor:*

Q. In 1933 you sold practically all of your crop to the Imperial Tobacco Company?—A. Yes.

Q. At 20½ cents a pound?—A. Yes.

Q. What would have happened to you if they had offered you ten cents a pound?—A. I would not have taken it.



Q. Do you mean you would have held it?—A. I would have tried to sell it in England or to somebody else. I turned them down on one crop, really two crops, but on the same farm. At least, I did not turn them down, but I tried to get them up a little on the price.

Q. This flue-cured tobacco goes into the making of cigarettes very largely?—A. Yes.

Q. The Imperial Tobacco Company, I understand, controls 90 per cent of the cigarette business in Canada?—A. I do not know; I cannot say.

Q. From their own prospectuses, one would gather that?—A. Yes.

*By Mr. Kennedy (Winnipeg):*

Q. When you say you turned them down, where did you get your outlet?—A. I have not sold it yet.

*By Mr. Sommerville:*

Q. They may have turned you down?—A. Yes. I considered they did; I thought it was worth more than that, that is all there was to it.

*By Mr. Young:*

Q. The year it was 30 cents a pound you did all right?—A. Well, I lost a lot of growers that year. I did not get 30 cents. I got an average of only 20 cents. A lot of crops were sold at 30 cents, but there were certain ones sold lower. My average was 27. On some crops I did all right, and some I did not.

*By the Chairman:*

Q. You were down as low as 29?—A. Yes.

*By Mr. Young:*

Q. At a price of 30 cents a pound, what is the cost of production; has it decreased?—A. I do not consider that it has decreased hardly any.

Q. Hardly any?—A. No.

Q. It costs just as much to produce a pound of tobacco now as it did years ago?—A. I believe it does. The labour costs are just as much; but of course, that is up to the grower.

*By Mr. Sommerville:*

Q. You have just as large an investment?—A. Insurance and everything else is just the same. There has been a small drop in fertilizer this year. Our hay and oats are higher this year, and your poison, bran and molasses, arsenic and paris green, and all these things, are just about the same. There is very little variation in those.

*By the Chairman:*

Q. What have you to say about fertilizer? Have you found any difficulty in getting a competitive price?—A. No, sir.

Q. And is the price a fair one?—A. I am satisfied with my deal.

*By Mr. Sommerville:*

Q. Is the price the same for all the fertilizer companies?—A. I imagine so.

Q. You are satisfied with the deal?—A. Yes, I am.

Q. You are a large buyer, and the large buyer gets a discount on his fertilizer, I suppose?—A. Well—

*By Mr. Edwards:*

Q. You know, a large order is much more to be desired than a small one?—

A. Well—

Mr. KENNEDY (*Winnipeg*): He is a mass buyer.

The WITNESS: I would put it this way, that I got what I considered was a fair price.

*By Mr. Sommerville:*

Q. I understand that the fertilizer companies issue a price list, and that list provides for—A. No, that is not the way it works, exactly. They come to see you, and one man will tell you this price. I have been given a variation in prices. They are not all the same. One company will have this price, and the other company this price, and so on; but there is a sort of general average in there. You still have to make your own trade with the fellow that you want to deal with, whose fertilizer you like.

*By Mr. Senn:*

Q. Who gives the orders?—A. For my company?

Q. I mean for the company generally, not yourself particularly?—A. I do for myself.

Q. Is it not true that certain companies act as sub-agents for the fertilizer companies?—A. Yes, but they send out salesmen.

The CHAIRMAN: Mr. Senn's question did not register. Will you ask it again, Mr. Senn?

*By Mr. Senn:*

Q. Is it not true that the companies or the larger growers act as sub-agents for the fertilizer companies?—A. I do not; I cannot speak for any of the others.

*By Mr. Sommerville:*

Q. It is a fact that representatives of the large tobacco buyers sometimes act as fertilizer sellers?—A. Not to my knowledge.

*By Mr. Factor:*

Q. I should like you to elaborate upon this point: what elements enter into determining the price of tobacco paid to the growers?—A. I would like to know that myself.

Q. I thought you could perhaps enlighten us on this matter?—A. I am afraid I can't.

*By Mr. Sommerville:*

Q. Perhaps you can tell us, Mr. Kingston, who are the principal buyers?—A. My two principal customers in the past have been Imperial Tobacco Company of Canada and the Canadian Leaf Tobacco Company. In addition to that I have sold considerable to the British Leaf Tobacco Company,—that is the Imperial of Great Britain,—to the Macdonald Tobacco Company, to the Rock City Tobacco Company, to Gallahers and the Carreras in England. They are the ones I have dealt with.

Q. With reference to these domestic buyers you have referred to, they are the large buyers in the Canadian field, are they not?—A. Yes, they are.

Q. What do you say as to opening of the market? Who opens it?—A. It is usually the Imperial Tobacco Company.

Q. Do the others all wait until they open?—A. Yes, that is true.

*By Mr. Factor:*

Q. Is not the element that enters into the domination of the price, that the first buyer opens up, and then his price is the price?—A. I think there have been times when it was not like that. It was before I was in the business. I think there have been British buyers come over,—that is the year the price went to 60 cents,—when it was opened by other parties.

*By Mr. Sommerville:*

Q. It was opened by other parties?—A. Yes.

Q. Since these buyers are not in the field, the price is opened by the large buyer who comes out and makes the first bid for the top price?—A. Usually.

Q. And the rest take that as their cue and buy from that?—A. Yes.

*By Mr. Edwards:*

Q. Does that include the British buyer?—A. Yes, it does.

*By Mr. Sommerville:*

Q. That is the British buyer as well?—A. Yes.

Q. Therefore at whatever price the large buyer opens the market, it fixes it for the whole of the trade for that season?—A. That is true. There was one other point I was going to bring out. My suggestions to help the flue-cured industry are these: We want to get an increased consumption of Canadian tobacco in Canada first, and I think myself—some of the other growers don't agree with me, but this is my opinion—that a cigarette of all Canadian flue-cured tobacco would be very popular in Canada; and it would be a good thing to decrease the excise to \$2 on that tobacco so that they could bring it out at say 15 cents, and if advisable they could equalize the excise and put it higher on cigarettes that have American tobacco in them. When I went to England with this tobacco a couple of years ago—a year and a half ago—they brought out this Canadian Club cigarette of all Canadian tobacco, and I smoked a great many of them. I have smoked cigarettes for a long time, and I thought this was an excellent cigarette. I personally believe that a cigarette of that type would have great popular demand in Canada.

Q. To increase the consumption of an all Canadian cigarette, you would reduce the excise payable on such cigarettes from \$4 to \$2 per thousand?—A. Yes.

Q. And if necessary, equalizing by increasing the excise on cigarettes containing a certain proportion of imported tobacco?—A. Yes.

MR. KENNEDY (Winnipeg): Are there any all Canadian cigarettes now, Mr. Sommerville?

*By Mr. Sommerville:*

Q. Do you know whether or not there are any all Canadian cigarettes at the present time?—A. Not to my knowledge.

Q. You don't know the formula?—A. No.

Q. For the cigarettes that are on the market?—A. No.

Q. But there are, at least, none that you know of that are advertised as all Canadian?—A. No. And another thing, I think it is a bad thing for this industry for certain companies to come out and boost this American tobacco. I know a certain brand of cigarettes—I won't mention it—where they say "All Virginia tobacco." That is just a slap in the eye to the Canadian industry. When you go to England they say, "What are you bringing in this American tobacco for, if you say your own tobacco is so good?"

Q. The Englishman says to Canada?—A. Yes.



*By Mr. Senn:*

Q. They are Canadian manufacturers, are they?—A. Yes.

*By Mr. Sommerville:*

Q. The cigarettes you are referring to that are advertised as all Virginia tobacco?—A. Yes.

Q. They are made by Canadian manufacturers?—A. Yes.

*By Mr. Factor:*

Q. But they are blended with American tobacco?—A. Well, they are all American. They claim it is all American.

Q. All American tobacco?—A. Yes. I can't see where they are as good as the cigarettes we have.

*By the Chairman:*

Q. Don't you suppose that there is a bit of evasion there, that when they say all Virginia, they mean Canadian Virginia or Carolina Virginia, not necessarily Virginia Virginia?—A. I think it is just the trade custom, but I don't think it is a very good thing for our industry.

Q. It implies that it is wholly imported American tobacco?—A. Yes.

Mr. EDWARDS: When they export it, do they get a drawback?

Mr. SOMMERVILLE: They get 99 per cent drawback upon imported tobacco which is manufactured and exported from the country.

The WITNESS: I don't think there is much there.

Mr. EDWARDS: Could you not get your details there, the amount of that drawback on the exportable surplus?

Mr. SOMMERVILLE: One might get some information.

The CHAIRMAN: There is comparatively little.

*By Mr. Sommerville:*

Q. But the flue-cured that you grow is Virginia tobacco?—A. Yes, it is.

Q. May it not be that the tobacco that is advertised as all Virginia contains that very flue-cured that you grow?—A. I would think so, but I don't know. I can't say.

*By Mr. Factor:*

Q. What good would increasing your consumption of tobacco do, if the price is not within 10 cents of the cost of production?—A. Well, we want to get the price up and have a bigger demand for this tobacco. That is the first thing that I would suggest. The second thing is to increase the British market.

*By Mr. Edwards:*

Q. Would you not suggest more competition in the buying, too?—A. I would say, "put the price up." I don't care how they get it up.

Q. There would not be very much use in increasing the consumption if you are not going to get the benefit—if the grower is not going to get the benefit?—A. That is true. That is what we are trying to do, get the price up.

*By Mr. Kennedy (Winnipeg):*

Q. May I ask, what about the land available for production in Canada? This very tremendous increase in consumption might all be overtaken by production?—A. I don't think there is very much good land left.

Q. So that the question of overproduction would not become a problem?—  
A. It might in this way: Down in the south, I am told that—I am not just sure of this, but I am told this—during the war when the price of tobacco went up to a dollar and over, a lot of land was put into tobacco that was not really suitable, and is still in tobacco now; and that is where poor tobacco is grown, and that is where they get the price down there.

Q. You are not referring to land in Canada?—A. No, in Carolina.

Q. In Carolina?—A. Yes. There is quite a lot of poor land in it.

Q. What about west Elgin?—A. You could not grow this tobacco in west Elgin.

Q. Is that not very light land?—A. There is some up around West Lorne, but it is cold bottom land. That is a failure, the tobacco crop up there. They are practically all out of it; that is Aldborough, and that way.

Q. How about South Oxford?—A. Well, there is some tobacco grown in South Oxford. I consider that the best tobacco grown is north Walsingham.

*By Mr. Factor:*

Q. What suggestions have you to make to this committee to help us in bringing in some recommendation about increasing prices, when there is no competitive buying?—A. That is for the committee to figure out. I am telling you what I think.

Q. Yes, but you are an expert.

*By Mr. Sommerville:*

Q. What comment have you to make, if any, upon the suggestion made yesterday that a marketing board might handle this industry and bring about a more equitable spread, or a more equitable distribution of the consumer's dollar?—A. Well, I have never had any experience with marketing boards. I can't say.

Q. I understand?—A. But I am not thoroughly sympathetic with it.

*By Mr. Factor:*

Q. Would you be in favour of fixing the price by some body?—A. I would like to see the matter handled by a sort of discussion between the buyers and some board, something of that type.

*By Mr. Sommerville:*

Q. That is to say, you would like to see a board representing the producers and a group representing the buyers sitting around the table and settling on a price?—A. Yes.

Q. A price that would have relation to the cost of production?—A. Yes, and of the season.

Q. And of the season?—A. Yes.

Q. And have that price prevail?—A. Yes.

Q. And not leave it entirely in the hands of the buyers to say, "This is the price, and this only"?—A. Yes.

Q. That is your suggestion?—A. Yes, something along that line.

Q. And that is leaving it within the realm of the industry itself to adjust prices from season to season?—A. Yes.

Q. If such a board, or such an organization could be set up?—A. I am told—I don't grow any cigar tobacco—but I am told that down in Quebec the growers of a certain type of cigar tobacco have that sort of system with the Imperial Tobacco Company each year, that they get together and settle the price and everything is happy. I don't know that to be a fact, but I am told that it is.

Q. You say you favour some such system by which there could be a conference between the two groups?—A. Yes.

Q. Under some kind of authority?—A. Yes.

Q. That would fix the price?—A. There is no authority in this one.

Mr. YOUNG: Voluntary co-operation.

The WITNESS: What was that?

*By Mr. Young:*

Q. Is it voluntary co-operation?—A. Well, I am told that it works out.

Q. You spoke about increasing the British market. How would you go about that?—A. Well, I think through Mr. G. Howard Ferguson for one, through Mr. Stevens and through Mr. R. B. Bennett and their combined efforts. They have all tried their best, I know that, and we have had increasing markets over there. I think that the efforts of the Imperial Tobacco Company have been very helpful in getting the Imperial Tobacco Company of Great Britain to take Canadian tobacco, and so on.

*By Mr. Sommerville:*

Q. Have you any comment to make upon the question that is referred to in Mr. Sutherland's report as Under Cover Buying; that is, a large buyer like the Imperial Tobacco Company buying for a number of other companies?—A. Well, my idea about that is this: I think it was a favour to the Canadian tobacco grower to have the Imperial Tobacco Company of Canada get the Imperial Tobacco Company of Great Britain interested in Canadian tobacco, and I think that should be encouraged.

Q. But is it not a fact that under cover buying of that type is prohibited in the United States?—A. I don't know.

Q. You are not aware of that?—A. No.

Q. You don't know of any decrees affecting that?—A. No.

Q. You don't know of any orders or decrees affecting the Imperial Tobacco Company, the British American Tobacco Company with respect to joint buying?—A. No, I don't.

Q. If you open your British market, and if the bulk of your product is going on the British market to the Imperial Tobacco Company of Great Britain and Ireland, how are you going to improve competition on this Canadian market if the buying is all done by the Imperial Tobacco Company of Canada?—A. Suppose it worked this way, that the Imperial of Canada wanted a certain number of millions of pound for themselves, and a certain number of millions of pound for the Imperial of Great Britain. That would become rapidly known in the tobacco industry.

Q. How? You don't know now. How would it become known?—A. I will tell you how. You go to London, and you go into Godfrey Phillips' office, and they can tell you almost everything that Carrera is buying, and everything that Gallaher is buying, or what the Imperial of Great Britain had. It is a fact. The minute that the people in Great Britain thought that the Imperial of Great Britain were buying a considerable amount of Canadian tobacco, Carreras—all these people—would want some themselves, and it would create competitive buying. They would go out and bid against the others for the tobacco; and then Macdonald would step up and bid, and all the other Canadian tobacco companies would come up and bid, and in that way create a market.

Q. That is the way you would get the benefit of this British market, you say—in that manner?—A. Yes. The more we can encourage the Imperial of Great Britain, the better it is for this industry, in my judgment.

Q. To take the product off this market?—A. Yes. If we can get them to take 10,000,000 pounds it would be a good thing.



*By Mr. Factor:*

Q. You don't think it affects the price by them buying through the Imperial of Canada?—A. They get it at the same price as the Imperial of Canada. The Imperial of Canada are the ones that really fix the price.

*By Mr. Senn:*

Q. Don't you think that, if the British buyers were here themselves, there might be more competition in the buying?—A. Well, for instance take in the burley, the Imperial of Great Britain don't buy their burley through the Imperial of Canada. They buy it with their own buyers. But I don't imagine that they pay any more for it. They know what the others are doing.

*By Mr. Sommerville:*

Q. So that really, even if you get the British buyer into this market, the result is that the price set by the Imperial Tobacco Company in Canada becomes the price for the British buyer?—A. Well, they all try—

Q. —to scale down from that?—A. Yes.

Q. Was there any other suggestion that you wish to make?—A. No, that is all. That is all I have to say.

Q. Well, thank you very much.

The witness retired.

The CHAIRMAN: Next we will have Prof. Leitch.

ARCHIBALD LEITCH, called and sworn.

*By Mr. Sommerville:*

Q. Mr. Leitch, you are a tobacco grower?—A. Yes.

Q. And you operate the Windham plantations?—A. The Windham plantations and St. Williams plantations.

Q. And you have been growing tobacco for how long?—A. For five years.

Mr. BOULANGER: Where is that, Mr. Sommerville?

Mr. SOMMERVILLE: In Norfolk county.

*By Mr. Sommerville:*

Q. And in your operations you cover how many acres; how many acres of land do you own?—A. 7,300.

Q. 7,300 acres of land?—A. Yes.

Q. And that covers how many farms?—A. 64.

Q. 64 farms?—A. Yes.

Q. Then your farms run to something a little over 100 acres each?—A. On the average.

Q. And on these plantations, what amount have you under crop at a time?—A. In 1933, at our maximum acreage, between 2,600 and 2,700 acres.

Q. Between 2,600 and 2,700 acres?—A. Yes.

Q. At your maximum?—A. Yes.

Q. And that was in 1933?—A. Yes.

Q. Prior to your being engaged in the industry of tobacco, you were head of the Department of Farm Economics in the Agricultural College at Guelph?—A. Yes.

Q. For some years?—A. Yes.

Q. And prior to that, you had many years experience in operating a large commercial farm?—A. Yes.

Q. Then, since going into the tobacco industry you have taken a very keen interest in the development of that industry, both as a producer and in assisting the other producers, have you not?—A. Yes, sir.

Q. Are you a member of the association which at the present time exists in the industry, Mr. Leitch?—A. Yes. I am vice-president of the Ontario Flue-Cured Growers Association, and president of their marketing subsidiary, the Ontario Tobacco Sales Co-Operative; chairman of the joint marketing board set up to handle the pack belonging to both associations, and trustee for the Ontario government in its credits for them.

Q. You represent the Ontario government in this joint committee?—A. Yes.

Q. In respect of the credits which have been set up by the Ontario government relating to the processing and sale of tobacco?—A. Yes.

Q. Now, will you just tell us, Mr. Leitch, what has been your experience with the domestic buyers? First of all, I ask you to consider it from the standpoint of policy, and then later from the standpoint of practices. What has been your experience with respect to policy?—A. I have only one criticism to make of the policy followed largely by the Imperial Tobacco Company, and followed to some extent by the other domestic manufacturers; and that relates basically to their operations, their buying policies in the period in which they were encouraging the largest possible acreage. That was the period ending in the crop year 1930.

Q. What do you say was the policy that was adopted prior to 1930 by the large buyers, the Imperial for instance?—A. The policy adopted was as was to be expected, of course, to encourage as rapidly as possible that volume of production of Canadian flue-cured leaf that would, at the earliest possible date, give to the domestic manufacturers a supply equal to their usage or demand for Canadian leaf.

Q. And was this the policy that was consistently followed for the years prior to 1920?—A. Yes.

Q. And following, during the ten year period, previous to that date?—A. Yes, insofar as my knowledge of the business is concerned.

Q. And from your knowledge of the development of the business in your capacity as head of the department of Farm Economics in Guelph, I presume that was a subject that was under consideration by you from time to time?—A. It happened that in 1925 I was commissioned by the Ontario Department of Agriculture to make an investigation of the business of tobacco growing and marketing in the province of Ontario, and that led to my chief interest in this business.

Q. And at that time you came into contact with this policy which you have outlined to us of encouraging the production of flue-cured tobacco, or tobacco in Ontario such as was required for their consumption?—A. Yes.

Q. Then that continued until the year 1930?—A. Yes.

Q. And was that policy reflected in the prices which were offered during those years for tobacco?—A. Yes, basically it was to pay a remunerative price to growers generally.

Q. And up to 1930 what had been the experience with respect to prices?—A. There had been prices that were generally remunerative to all efficient growers, possibly not inefficient ones or those who had hard luck.

*By Mr. Senn:*

Q. Were not those prices justified?—A. Yes, they were entirely justified purely on the basis of supply and demand alone.

*By Mr. Sommerville:*

Q. And the prices that were obtained up to 1930 we have heard represented a figure of 35 to 40 cents?—A. Well, just for the three years previous to 1930. Previous to that it had ranged from 45 cents upwards.

Q. Previous to 1927 it had ranged from 45 cents upwards.

Mr. FACTOR: What was the highest price?

The WITNESS: The highest price to my knowledge, definitely, I think, was about 70 cents.

*By Mr. Sommerville:*

Q. About 70 cents?—A. I am absolutely positive that in 1926 it reached 60 cents in Essex county.

Q. And during 1927, 1928 and 1929 it was 45 cents and upwards?—A. 45 cents in 1927, 40 cents was the top price in 1928, 1929 and 1930.

Q. So that the policy was reflected in the maintenance of a price that was a remunerative price to the growers?—A. Yes.

Q. And did that have the effect of increasing the production of the cured tobaccos that were required?—A. Oh, yes, it did; it stimulated the production at a relatively rapid rate.

Q. And did that have the effect of inducing growers to go into tobacco as an industry—the raising of tobacco?—A. Yes. That was particularly true in 1930 and 1931 when the relative prices for all other farm products had dropped much lower than tobacco.

Q. So that when you had a price of 40 cents in 1930, that price was relatively much higher than the price of other farm products?—A. Yes.

Q. And that again increased the number of those who were growing tobacco?—A. Yes.

Q. And the amount that was produced?—A. My criticism is not directed against the general level of those prices; it is directed against what might be called the practice of paying reasonable, uniform or fixed amounts for all crops. There was not, in my opinion—there would not have been in that period a sufficiently wide range between the better valued crops and the lower valued crops commensurate with the difference in quality, and that brought about a condition which led unthinking growers largely—unfortunately, a lot of new men,—to go into a business with a lack of experience—that led them to believe that there could not be anything wrong with this business; no matter how poor a crop you had you got a good price for it.

Q. That is to say that up to and including 1930 the prices paid for all grades of tobacco were so relatively near the top price as to indicate that poorer grades would bring a good price?—A. Poorer grades would bring a good price, and that encouraged, to a large extent, a lot of expansion on indifferent and unfavourable soils, and encouraged a lot of people to go into the business without due care as to their experience, knowledge and so forth in regard to growing this crop.

Q. Then, in the meantime, there had been, during the years 1927 and 1928, a large increase in the number of growers who came into the business and operated?—A. Yes. That extended right up to 1931.

Q. And there was also a large increase in the number of syndicates and companies that operated through tenant farmers?—A. Yes.

Q. And made their investments during that period of time?—A. From 1927 until 1930, practically, all the syndicates started operations.

Q. That was a period in which you became interested on behalf of the Wingham plantations?—A. Yes.

Q. And your company invested large sums of money there in acquiring farms?—A. Yes.



Q. I do not want to become too personal, but what was the amount of the investment your plantation made in the industry, approximately?—A. Two companies \$826,000.

Q. In cash?—A. In cash.

Q. You put that much into the plantations?—A. Yes.

Q. And you say you had 64 farms?—A. Yes.

Q. Did that represent 64 farms and tenants—tenant farmers or share farmers?—A. As a matter of fact, these properties were purchased in 82 separate parcels from small growers, unoccupied lands and so forth, and we reorganized it into 64 tobacco units.

Q. And in each unit you had about 30 to 35 acres?—A. It varied. In 1929 when we started our average acreage per farm was 31 acres, and it averaged per farm, in 1933, 44 acres.

*By Mr. Young:*

Q. You would have a third of that in tobacco every year?—A. Roughly speaking we would have a little more than a third of the total land area. We had slightly less than half the total area that is suitable for tobacco.

Q. You would probably have 20 acres on each farm?—A. No, we averaged forty-four last year.

Q. In tobacco?—A. Yes.

Q. Then, the acreage of each farm would be three times that?—A. No, the average of each farm is slightly over 110 acres, but it happens that there is a creek running through the main part of the property, and we have some average lands, some waste lands, and some land that is bad all along.

*By Mr. Sommerville:*

Q. And then you have to provide for rotation as has been described to us?—A. Yes.

Q. And for the ploughing in of certain crops to provide for sustenance?—A. Essentially we followed the same practice as was outlined by Mr. Freeman.

Q. Operating in this large way you have been able to operate efficiently and economically?—A. Yes.

Q. How many share tenants did you need last year?—A. Sixty-four.

Q. Now, you have discussed with us the question of the policy that was adopted?—A. Yes.

Q. And your criticism was directed to the point that this policy encouraged the growers to produce?—A. Yes.

Q. And secondly, encouraged them to believe that the poorer grades brought very little less than the higher grades. What was the effect of that policy from 1930 on?—A. It is necessary to elaborate the 1930 conditions, because that was the crux of the situation as I see it, where the Imperial Tobacco company, as the large buyer and the price setting buyer, evaded the responsibility for a situation which they created themselves. The year 1930, probably, compared very favourably with 1933 as the poorest; it was a very dry year. A lot of the growers in the area were on new lands, not tried out, and on account of the drought the general crop was down, no doubt, and badly down in quality as compared with any year previously and succeeding, except 1933. It was an extremely poor crop of tobacco, yet the Imperial Tobacco people led people astray by going out and paying high prices which would seem to indicate that there was no limit to what they would buy when they would pay those prices, 40 cents, and an average price higher than the year before by a cent or two, for the poorest possible kind of crop; and that was in the face of their indications to growers made by some of their officials

—they may not have had authority—that they were all growing too much tobacco; and yet they set out to buy, approximately, every bit of that crop, knowing that the actual acreage planted had gone up. Under normal yield conditions there would be an export surplus, and yet they led growers astray. Possibly they did not do it deliberately. Probably it was one of those cases in which they did not foresee the indications, but they led growers to believe that there was absolutely no lower limits in quality and in production, and there would be a demand.

*By Mr. Senn:*

Q. Are you speaking of flue-cured tobacco?—A. Flue-cured tobacco solely. At the same time, six or seven of us then operating syndicates—we had come to the conclusion in the spring of 1930 that we had better prepare ourselves for in impending export surplus, and we made arrangements such as Mr. Kingston outlined, working in concert, I acting for the group, to make contacts, to get some British manufacturers to use some Canadian tobacco. There had been some shipped over in the previous year to one manufacturer; he made a contract for another shipment for the year 1930, and we arranged to withdraw from the Canadian supply of tobacco in the year in which the Imperial seemed to want it very badly, about a half million pounds amongst us for Gallaher's Limited. That was our first definite contract as large growers with the British.

*By Mr. Sommerville:*

Q. That was in 1930?—A. Yes.

Q. Of course, that was possible for you as large growers, but how about the small producer?—A. The small producer with his 25 or 35 acres could not possibly participate in business of that kind.

Q. Why?—A. His business was not enough to justify the expense. The quantity would be too small to take in the multitude of export grades.

Q. That is, for export purposes, you have to go into a great many grades?—A. To do any business in the export market you must, first of all, assemble a certain amount of tobacco.

*By Mr. Senn:*

Q. Had your co-operative association organized at that time?—A. No, an informal organization of six farmers.

*By Mr. Kennedy (Winnipeg):*

Q. Did anybody point out the danger of that buying policy to the Imperial Tobacco company?—A. I, myself, criticized that policy to the then manager of the Imperial Tobacco company.

Q. What did he say?—A. Oh, he put me off and said, "What have you got to kick about; you are getting a profitable price for your tobacco," and he was prepared not to listen to my injunctions.

*By Mr. Sommerville:*

Q. Then, having made the contacts in 1930 with a small group of the large producers you were able to grade in quantity the types of tobacco that were required for the export market?—A. Yes; put it up in the grades that the English market required—this particular manufacturer required. There are quite a large number of grades. If I remember correctly, there are thirteen separate grades.

Q. And that was shipped to Gallaher's?—A. Yes.

Q. And that opened up the export market with them?—A. With Gallaher's. At the same time, the Canadian Leaf Tobacco—leaf packing and leaf mer-

chant firms in Canada—had the previous year done some little missionary work on their own account, and in the same way they almost handled an amount—probably a little greater than the amount we handled. They sold theirs largely to one manufacturer, that is, Godfrey Phillips & Company, and a little part of it to Gallaher's also. They did that as a speculation of their own. That was the first start. The combined efforts of these two organizations was the first start in creating interest, in a large way in Canadian flue-cured tobacco; and it was the result of the experience of these two firms that forced the Imperial of Great Britain because of their favourable and profitable experience with this Canadian tobacco, and they paid us a price almost equal to the local Canadian price, which forced the Canadian tobacco company, being the principle competitors, to display interest the next year in Canadian tobacco. But I do not give the Imperial of Canada any credit whatever for getting that business for Canadian tobacco; it was competition from their own company in England.

Q. These two firms in England, or several firms handling Canadian tobacco, set up a competitive interest on the part of the Imperial of England in securing Canadian tobacco?—A. It is true the Imperial had got some small sample quantities previous to that time, had tried it, as all the foreseeing and intelligent manufacturers in England naturally did, but it was really the competition from other competitors in the use of this tobacco that created their interest.

*By Mr. Kennedy (Winnipeg):*

Q. It was not through any philanthropic idea on the part of the Imperial that Canada shipped into that market?—A. None.

Q. You differ from Mr. Kingston?—A. Absolutely.

Q. After all, I suppose, speaking generally, the interest of buyers, whether of tobacco or anything else, is to get their product at the lowest price?—A. Naturally; and get a product that they like.

Q. A product that they like at the lowest price?—A. That they can use and make profits.

Mr. EDWARDS: That is their job?

The WITNESS: Yes, the main motive.

Mr. KENNEDY (*Winnipeg*): And so long as they use fair methods you have no objection?

The WITNESS: None whatever.

Mr. YOUNG: Are you opposed to the underground buying practice?

The WITNESS: No, not necessarily. I feel this way: an English manufacturer must take the necessary means to protect himself against the hazards of this barn buying system. Only in Canada, of all tobacco producing companies of the world, does the barn buying system prevail.

Mr. FACTOR: Does it not prevail in the United States?

The WITNESS: No; it has the open market auction floor system in the main tobacco areas.

*By Mr. Sommerville:*

Q. Perhaps, Mr. Leitch, you will express your opinion on the merits of the open market auction system as compared with barn buying?—A. Personally, I have an open mind on the matter. The barn buying system suits our conditions agreeably well here because of the fact that we are large producers—the production per grower is large.

Q. What difference does that make as against the system in the United States?—A. It would introduce a sufficient amount of labour to do all the necessary farm grading at the auction floor. It is selling by grade—green tobacco by grade.



Q. Green tobacco by grade?—A. I should not say green; maybe mostly raw leaf produced on the farm by grades means that the farmer must himself learn to do the job and must incur the expenses of handling his tobacco in order to grade it into the large number of grades, tying it up, and offering it on the auction floor. Now, that, of course, means that the grower offers his tobacco in the form the manufacturer, foreign or domestic, can offer it. But, at the same time, we have a different climate from the United States, and I am not satisfied that with our severe winters—and that is the period when it must be sold—that that work can be done as adequately and as well on the farm, and done in a systematic proper fashion to make the auction floor system work adequately. It has the advantage that the grower is offering his tobacco in a form anybody can buy, and we may be forced to come to it in time.

Q. It can be sold in England, in the United States or in Canada?—A. Yes. That brings me to the point this gentleman asked, as to my opinion in regard to under-cover buying. It is absolutely necessary for the English manufacturer wishing to buy his supply direct to be protected against the hazards of barn tobacco; in other words, some service or some agency in Canada that has an efficient inspection force and a number of efficient buyers. In other words, to have some agency that will translate green barn run tobacco in their minds mentally in value into dry weight graded tobacco. That requires the services of an organization such as the Imperial Tobacco Company; therefore I have no criticism of the policy of buying that way; although I know it would be in our interest as growers if they had commissioned some other competent agency like the Canadian Leaf to have done it.

*By Mr. Factor:*

Q. Why is it expressed in that way "under cover buyer"?—A. I cannot recall what that expression means, at all.

Mr. SOMMERVILLE: It is an expression that is not used in Canada but in the United States where arrangements have been made for eliminating competition and things of that kind. It is against the anti-trust laws of the United States, apparently. No decrease has ever been shown by reason of that; I think that is the reference in Mr. Sutherland's report?

The WITNESS: As a matter of fact, the word is hardly applicable to the arrangements between the Imperial of Great Britain or the Imperial of Canada because it was not really under cover. We all knew, or most of us knew, that the Imperial of Great Britain was buying some.

*By Mr. Factor:*

Q. They may have employed them as agents?—A. They may have employed them as agents. We have had the same experience ourselves. I have acted in the same capacity for Gallahers, Limited, who depended on me to see they were protected against the hazards of the barn buying system.

Q. In other words, they had in this country an organization known as the British Leaf Tobacco company?—A. Yes.

Q. The British Leaf Tobacco company is owned and controlled by the British American Tobacco company?—A. Yes.

Q. Who owns and controls the Imperial of Great Britain and Ireland?—A. No.

Q. Or the reverse?—A. The British Leaf, I think, is a subsidiary of the Imperial of Great Britain.

Q. A subsidiary of the Imperial of Great Britain?—A. Yes. But the British Leaf in Canada, Chatham, have had no experience in handling in any quantity flue-cured tobacco. They have no organization themselves for protecting expenditure. Their operations have been entirely on air-cured tobacco.

Q. You made efforts then to secure this English market, and to supply the English market with tobacco that year? ? What has been your experience since in that connection?—A. May I be permitted to finish my experience with the Canadian?

Q. Yes.—A. At that time we were—

Mr. SENN: There was a change in policy?

The WITNESS: Yes. The Imperial Tobacco company seemed anxious to get hold of every bit of the 1930 crop. Their local agents, I mean, were resentful of my operations in taking away some of that supply for export, when they claimed they needed all in Canada. It seemed to indicate that there could not be much confidence put in their suggestion from time to time that we were producing too much tobacco. Well, it happens that the manager on whom we were inclined to lay the blame for operations of that kind is no longer with the Imperial Tobacco company. I always felt he was expressing views of his own. When the 1931 crop came along, there was a still further increase in acreage and an increase of almost 60 per cent in the average yield, and the consequence was our production doubled, the actual pounds of tobacco doubled as between 1930 and 1931. I maintain that the Imperial Tobacco company and their buying companies of 1931, while I have no general criticism of the peak price established of 30 cents under the conditions, entirely evaded their responsibilities, after bringing about those conditions. It appeared to me they did everything possible to create a panicky condition among the growers and the buying associations they maintain. In other words, they looked on it as proper from their standpoint purely as an economic factor. They said, here is so much tobacco; there is going to be a surplus. No doubt they estimated it reasonably accurately. They said, there is going to be a surplus of 5,000,000 pounds for export—that is what it turned out to be later on. They, no doubt on account of the high quality of the crop bought a little more from the producers. They bought a little more for stock purposes; but their operations were, in my opinion, to my knowledge, during the course of the market, to take the earliest possible opportunity to reduce that peak price down to 20 cents and below. That took place within a week.

Q. Within a week after the market opened?—A. Yes.

Q. The Imperial who had set a price of 30 cents as the peak, reduced the price to 20?—A. Reduced it below 20, by 10 days after; and that created an extremely bad panicky condition.

Q. That was for good quality tobacco?—A. Yes.

*By Mr. Young:*

Q. Was there a corresponding drop in the British market?—A. Those conditions really determined the prices paid in England at that time.

Q. They did?—A. Yes. The manufacturer in England, like the one in Canada, does not care to pay anything more than he finds his competitors paying. We must recognize that as a natural business law. Consequently, the Imperial, who are the dominating purchasers here, more or less set the conditions under which you can sell tobacco in England.

*By Mr. Sommerville:*

Q. The 43 cent preference gives it an added advantage in the British market?—A. Yes.

*By Mr. Young:*

Q. Would not our exportable surplus compare very slightly with the British needs?—A. Yes. You must remember that the British manufacturer had up to that time relatively little experience in Canada. They did not know whether they could use it properly. It was a new product, just lately produced.



Q. It had not made itself a place on the British market?—A. No. Those things take time; and then there is the tradition. They have been using the American product for 100 years, and it is only the more enterprising and far-seeing who will take a chance of using a new product as a substitute for American. Then, still further, we must recognize this fact. No matter how good intrinsically the Canadian tobacco may be, we must recognize, generally speaking, the tobaccos used from day to day in England are tobaccos that have been matured in casks for some time.

*By the Chairman:*

Q. How long?—A. Oh, it varies, depending on the type of use for which it is made.

Q. Two or three years?—A. Some high class tobaccos, yes; but I suppose for some of the lower priced brands considerably less. It varies considerably.

Q. One or two years?—A. Some considerable time, yes. That is the intrinsic character of it. There must be some measure of change going on all the time, because the tobaccos are matured in casks.

*By Mr. Sommerville:*

Q. Has that been produced by a modern method of processing flue-cured tobacco?—A. No, the methods generally speaking in the processing are the same as—

Mr. SENN: The American Tobacco Company ships in casks the same way?

The WITNESS: Yes. We follow the American methods very closely, both as to grades and methods of packing. Therefore to develop the idea further, no matter how good intrinsically our tobacco may be, it is still new, and to get it on a comparable basis with American tobaccos, we must have it as old, for use, as the current supplies of American. It is a matter of a year or two years or three years, so therefore no matter if our product were identical with the American in every respect, and known to be such, we are not on an exact basis of usage until we have somewhere stocks that have matured to the same extent as the stocks currently used in America. That is one of the difficulties and hazards of opening up a new market in a foreign country. Since 1931 I have no particular criticism of the Imperial Tobacco Company as far as their practices are concerned. We have had very very favourable relations with them. I have sold them millions of pounds of tobacco. They are honourable people to do business with, and they live up to their obligations. That is not only true of the Imperial, but it is characteristic of the Canadian manufacturers.

Q. Your criticism is of the policy which led to the development of the industry, therefore one that increased production, naturally?—A. Yes.

Q. And encouraged production?—A. Yes.

Q. But when you had that increased production no responsibility was assumed with the rest?—A. Yes. That is a matter of policy—for evading the responsibility, not for their policy, gentlemen, of increasing production.

Q. And after getting that production, they adopted a policy of cutting the market down very substantially?—A. Yes.

Q. From 30 cents in 1931 to less than 20 cents within 10 days?—A. Where a reasonably orderly maintenance of a price based on 30 cents a pound with reasonable precautions—in other words, if they had followed the practice they followed in 1933, when a similar condition arose.

Q. What did they do there?—A. They opened the market at 24 cents—however, without criticizing the legitimacy of the figure—

*By Mr. Senn:*

Q. Is that still maintained?—A. They maintained it religiously, right up to the end. I know I sold tobacco on that basis for months after the market opened



and other people did the same thing. It was an extremely commendable method of keeping up the peak market conditions and allowing the growers to have some little time to see what they had.

Q. Are you stating that 24 cents was a justifiable price?

Mr. SOMMERVILLE: I am going into the question of price.

*By Mr. Sommerville:*

Q. Now you had some further experience since then with the British market?

—A. Yes, continuously since 1930.

Q. You have developed quite a substantial number of customers to take a substantial amount of tobacco since then?—A. Until this year. I have not completed any arrangement with Gallahers yet, because I sold most of my tobacco like Mr. Kingston in the domestic market. I have not much for my regular customers this year. Since that time I have sold practically all through our agents, the Gallahers, quite a few million pounds there, and others.

Q. You have been assisting other growers to market their product in England to smaller customers, have you not?—A. Yes. In 1931 the plantations associated with me, and myself, got together. We were all pretty much ignored by the Imperial Tobacco company in 1931, probably for no justifiable reason.

Q. In their buying?—A. In the actual buying.

Q. Was that because they resented your going to the British market with your product?—A. I would not like to say that it was because I had sold on the domestic open market. I was quite as helpless as some of the smaller ones. As a matter of fact, out of my 64 growths, I think I only sold 7 on the local market. I had to export all the rest.

Q. You say you had to export the rest?—A. Yes.

Q. The balance of the 57 you did succeed in selling to the British market?—A. Yes, some at the opening of the market, about half, and the remainder later on, some to Gallahers at the opening of the market, and later to other manufacturers. During that time the great bulk of the unsold crop when the Imperial and the other buyers got through was something like 100 crops in the whole area, a little over 100, I believe.

Q. Unsold?—A. Unsold, in addition to those crops still held or unsold by the syndicates or large plantations.

Q. What do you mean by 100 crops unsold?—A. 100 small growers who either had not had an offer for their tobacco at all, or turned down any offer that was made, and were not sold when the domestic market was closed. That tobacco was assembled by one of the managers, Mr. Fair, manager of one of the other syndicates, and he made arrangements to have it financed and paid for, in the initial stages; and later on we jointly entered into an arrangement for the orderly selling of that tobacco; that is, tobacco that I held on behalf of myself and the syndicate associated with me, and tobacco held by Mr. Fair. We, in co-operation, disposed of that with some help from the Canadian Leaf Tobacco company. We disposed of that quantity of tobacco.

*By Mr. Senn:*

Q. In 1931?—A. Yes. In 1931 my operations in the export market were exclusively my own tobacco.

Q. Is it true that the tobacco that Mr. Fair marketed over there was sold at a much lower price than had been paid previously?—A. Sold at a price—yes, it was sold over there at a price that did not yield the grower of it or owner of it as much—

Q. I understand the companies that bought that tobacco bought it cheaper than they had already bought tobacco here. I understand that it was sold at a price below that which had been paid already by the British buyers in

Canada?—A. The three more active buyers who were looking forward to getting their supplies were Gallahers, Godfrey Phillips and the Imperial of Great Britain. The Imperial had arranged for their purchases of that year through the Imperial of Canada. They bought quite a large portion from me and associated plantations. Godfrey Phillips had made arrangements through Dibrell Brothers. The Canadian Leaf have purchased a large part of their supply through the jobbers held by myself and Mr. Fair. This other crop had to meet the hazards associated with getting interested those who had not sufficient interest to pay the high price. That is the real reason.

Q. That may be the reason but I am given to understand that that is one of the reasons the British buyers did not come back. The reason, I understand, is that they had paid a fairly high price, and the tobacco taken over by Mr. Fair sold to their competitors at a much lower price?—A. No; that is not the case. They came back the next year and bought larger quantities.

Q. I have heard that statement.

*By Mr. Sommerville:*

Q. As a matter of fact, next year you did sell a much larger quantity to the British manufacturers?—A. Yes; double the quantity.

*By Mr. Kennedy (Winnipeg):*

Q. The British buyer can be left to look after himself?—A. Yes, they look after their own interests.

Q. He does not need much assistance?—A. No. They need some assistance to make the necessary contact with the foreign buying system, so we can effectively do business. It is because of our archaic creaking selling machinery here that we do not make contact for his business. He does not need anything.

Q. He has a knowledge of marketing conditions?—A. Yes.

Q. And knows what supplies are available?—A. Yes.

*By Mr. Sommerville:*

Q. In 1931 the total exports amounted to 6,220,917 pounds; in 1932 it amounted to 11,084,548 pounds, and in 1933, 13,722,531?—A. Yes.

*By Mr. Senn:*

Q. I should like to complete that by asking you one more question. Was the 1932 crop sold to British representatives on our market here, or sold indirectly?—A. The Imperial Tobacco Company of Great Britain bought—I am trying to give you what happened to the total of that 11,000,000 pounds that went over out of that crop—the Imperial Tobacco Company of Great Britain bought 3,500,000 pounds right in the field.

*By Mr. Sommerville:*

Q. Of the 1932 crop?—A. Yes. Godfrey Phillips & Company bought by the agency of the Canadian Leaf Tobacco Company direct, something well over 2,000,000 pounds. I sold direct to Gallahers 1,500,000 pounds, green weight.

Q. Green weight?—A. Yes. And Mr. Kingston took his tobaccos over there, as he mentioned this morning, and the great bulk of the amount bought that year was actually bought.

*By Mr. Senn:*

Q. I was just asking the question to clear that up?—A. Yes, it was actually bought. Another point in connection with your previous question regarding that tobacco grown by Mr. Fair, you must remember that when the Canadian market was bought for the first direct selling to Gallaher, and purchases by Dibrell



Brothers and so forth of the 1931 crop, the sterling exchange was at a level of somewhere between \$4.25 and \$4.35. By the time Mr. Fair and I had our tobacco packed, on behalf of his one hundred odd growers and on behalf of myself and associated plantations, the exchange had gone down, dropping from \$3.80 to \$3.20, and there was a big loss occasioned there.

*By Mr. Sommerville:*

Q. What do you say as to the present position of the English market and its possibilities? You have recently returned, I understand, from your trip to England in connection with that industry?—A. About six weeks ago I returned.

Q. What is the fact about the market recently, and what are the prospects?—A. It is necessary to lay a foundation to explain this. It is an involved situation, and I think it is desirable that the committee should understand it as well as I can explain it.

Q. A little louder, for the press?—A. Out of the 1930 crop there was slightly over 1,000,000 pounds—1,300,000 pounds went to England, largely to these two original users, Gallahers and Phillips. Out of the 1931 crop, somewhere between five and five and a half million pounds went over.

Q. To them?—A. Yes. Now, just at the time the English manufacturers decided to get out a cheaper cigarette to the public, and they got out cigarettes selling 10 for four pence, as against 10 for six pence, which was the standard price for the standard cigarette. Their idea was to use Canadian, which was equal and comparable to American which they could buy. Although they paid us a reasonably good price for it, they saved some part of the preference—we didn't get it all—and did pass that on to the consumer. So they adopted this scheme of a 10 for 4 pence cigarette, a good American type cigarette, a reasonably good American type cigarette. That was started first of all, in a large way, by Gallahers. That particular cigarette went across with a bang. Included with that they had gifts, a premium or coupon system.

Q. That is, cards?—A. Yes, cards on which they could get gifts of various kinds.

Q. Which could be exchanged for premiums or gifts?—A. Yes, for gifts. In a very few months, all manufacturers had to be doing the same thing. One or two firms led the way and the rest had to fall in, for their own protection, naturally. Consequently when the crop of 1931 came along, there was a large demand for Canadian for that purpose. That was not the exclusive use for Canadians, but it just happened that there arose this extraordinary demand. Competition in these gift cigarettes became more or less vicious. But we must admit that, of the relatively large purchases out of the 1931 crop, and the double purchases of 11,000,000 to 12,000,000 pounds out of the 1932 crop, a large part was purchased for use in that type of cigarette. The competition became so vicious in that that last fall—in the middle of last summer when I was over, in July, I was aware that the manufacturers were trying to get together to cut out this thing, to agree mutually to cut this out.

*By the Chairman:*

Q. To abandon the system?—A. Yes, to abandon it before it ruined them. Just about the time our market opened last year for the fall, they had effected this plan, got them in order; that is in October of this year.

*By Mr. Sommerville:*

Q. In October of last year, you mean?—A. Yes.

Q. The manufacturers in England had agreed upon a plan to abandon the premium system?—A. Yes, to abandon the premium system, to go into effect on the first day of January. That is, after the first day of January there would be no more premiums.



There was a wide range of difference in the quality of the cigarettes. The originals, Gallahers' and Phillips'—they were the first to start it—maintained a fairly decent, high quality of cigarette, and a less generous gift scheme. Two of the later ones, large manufacturers, to come in on that kind of thing—Imperial and Carreras—had a much poorer cigarette, in my opinion, and a much more liberal gift scheme. The consequence was that, when they were cut out on the first of January, public antipathy against what was tantamount to raising the price practically ruined the business in that particular cigarette with the Imperial and Carreras, and left Gallahers and Phillips still with a considerable sale for their product.

Q. Of that same type of cigarette?—A. Yes.

Q. Because of the quality which they had in it?—A. Yes, largely on account of the quality. The only way I can make that statement safely is this: They all lost some business in January. I was in Gallahers on the first of March this year, and they told me this, that while they lost some business in January as a result of the public reaction to that by the last week in February, they were back again to their production, to the previous total. Mr. Arthur Phillips told us that, price and quality being satisfactory, he saw no reason why he should not buy something equivalent to his two previous years' supply. But the situation was this in so far as the total supply of Canadian was concerned: some of the large users had that particular use cut off. Consequently the rate of usage or withdrawals from bond by manufacturers each month necessarily went down, when you compare August, September, and October, of last year with January, February, and March. In other words, it meant that there was, on the whole, more months' supply of Canadian in England, and all manufacturers, all possible buyers, with the possibility of one exception—I will say two exceptions, Gallahers and Phillips—were more or less in a quandary as to what they were going to do. This naturally created a situation; and added to that, the poor quality of last year's crop, generally speaking the poorest we ever had. It is not comparable with that of 1931 and 1932 for export. That, to some extent, has created a situation in which, for the moment, there is a lack of interest in the packed supply of the 1933 tobacco. At the same time, the figures indicate that while there has been some loss in the use of Canadian tobacco, the actual use month by month as indicated by the government figures, with withdrawals from bond indicate that the usage of Canadian tobacco for this present calendar year will just about equal the quantity, or may be slightly below the quantity we have on hand to replace that. But conditions have transpired so that just at the moment it is not desirable to try and force the English manufacturers to take this tobacco, because to do that is like trying to force anybody. You have got to make a price adjustment; and tobaccos are well enough held this year, with sufficient funds on hand, so that a little patience can be exercised and it is not necessary to sacrifice the tobacco or try to press them on the market at this time.

*By Mr. Kennedy (Winnipeg):*

Q. Prof. Leitch, what is your view as to this practice of putting premiums in goods, in packages of goods that are being sold?—A. I think it is a vicious thing.

Q. Both to producer and consumer?—A. Yes, that is my own opinion. It is more or less an academic one, but it is my opinion.

Q. If one does it, then another competitor has to do it?—A. Yes.

Q. And then as you say, you get a reduction of the quality of the product and an increase in the attractiveness of the premium?—A. Yes. With this tobacco, it got extremely vicious in England, so that old traditional smokers in England, wedded to their brand of tobacco, changed it because of the pressure brought to bear upon them by the children and the wife, to get these things; and they had to abandon the system of gifts.

Q. It is the old system of crockery in cereals?—A. You could get anything in the warehouse, the gift department of these large manufacturers. It was just like a department store. You could get anything from a pair of socks to a radio.

*By Mr. Factor:*

Q. They also had a system of exchanging cards, that you could make a full deck?—A. No, they didn't have that at all. A package had so many coupons. A coupon was worth so much. You didn't have to build up a series. All you had to do was accumulate one hundred, five hundred or a thousand, whatever it was.

Q. Is there not a system that has been prevailing here with cards?—A. That is different, the system we have here in Canada.

The CHAIRMAN: We are poker players here.

The WITNESS: The buyer of the product here must go to some trouble matching up a deck of cards, and they can't all, and that means a lot of them are not redeemed.

*By Mr. Factor:*

Q. I have seen a retail store where you can go in and exchange a seven of spades for a six of hearts?—A. Yes.

The CHAIRMAN: To make up a straight flush. Now, we will have to meet again this afternoon. The professor will be back then. This might be a good point to adjourn for lunch. We will adjourn now until 3.30 p.m.

The Committee adjourned at 12.55 p.m., to meet again at 3.30 p.m.

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### AFTERNOON SITTING

The Committee resumed at 3.30 p.m.

The CHAIRMAN: We will proceed with the evidence of Mr. Leitch.

*By Mr. Sommerville:*

Q. Mr. Leitch, we were dealing with the British market and the circumstances there when we adjourned. Perhaps you might continue your evidence with respect to that situation?—A. I think I have commented on the present position as it related to the supply of last year's crop that has not yet been sold, and I advanced the reasons, in my opinion, why that tobacco has not moved too freely. If I remember correctly, that is the point at which I discontinued. This tobacco is held by two organizations. If I might elaborate on the present condition in which it is held and the probable necessity for selling it.

*By the Chairman:*

Q. This is the Canadian stock in the hands of growers?—A. Growers' organizations. It has passed out of the hands of the growers themselves.

Q. But it has not gone into the hands of the manufacturers?—A. Quite so.

*By Mr. Sommerville:*

Q. It is still unsold?—A. It is still unsold. There is a quantity estimated somewhere between eight and nine million pounds, dry weight, packed in hogsheads, which is graded to suit the export market. That means it will suit the



domestic manufacturers too, although it is graded a little more finely than is necessary for domestic purposes. The fact that it is packed in export condition is not necessarily any detriment to selling it locally. This tobacco, roughly 3,500,000 pounds, is owned by the two growers' associations operating in that district, and the tobacco has to be packed under the control of the joint board set up to control all matters relating to the grading and sale of this tobacco; and on that tobacco certain advances have been made by the Canadian Bank of Commerce. They are guaranteed against eventual loss by the government of Ontario. The advances made by the present government are something below 15 cents a pound average.

Mr. YOUNG: On all grades?

The WITNESS: Average. That was the average advance made to date. Of that 15 cents sufficient was paid over to the packing companies who packed tobacco to pay their packing charges in full; the balance was advanced to the grower.

*By the Chairman:*

Q. Now, that 15 cents is not a parallel to the 24 cents and 20 cents paid to the grower; that is paid to the processor. In other words, this 15 cents is advanced on tobacco that is packed in form for shipment; it is in a somewhat advanced stage over what it is usually sold by the grower?—A. Yes, in that it is graded and has incurred the expense of packing which amounts to 5 cents a pound.

Q. That would be about 10 cents a pound to the grower, would it?—A. It would be less than that, because nearly 5 cents was used to pay packing charges—about 7 cents.

*By Mr. Senn:*

Q. Just there. Since you became chairman of the sales committee—I think you said you were chairman of the sales committee of this association—you have made certain sales of tobacco belonging to the association?—A. Only in the domestic market of certain grades.

Q. Could you give us a detailed statement as to the prices obtained? I am asking that so that I can compare it with the price that has already been advanced?—A. No sales have been made as yet from the packed tobacco, but certain grades were sold before packing, certain low grades.

Q. Could you give us the detailed prices of those?—A. There are two grades particularly. The broken leaf that arises naturally in the process of handling and packing, 4½ cents green weight on the grading table.

Q. Does that tobacco enter into the making of cigarettes in the same way as the better grades of tobacco?—A. To some extent, I imagine it is for that purpose.

Q. May I ask who purchased that?—A. The Rock City Tobacco Company in Quebec City.

Q. And they are using that in competition with the output of other companies?—A. Yes. Other companies, of course, have the same thing; they have scrap arising out of the mechanical breaking up of the leaf.

Q. Did the other companies purchase any considerable quantity of that or did it all go to the smaller concern?—A. It all went to the one concern. That is the scrap arising out of the tobaccos of this association.

Q. I suppose it makes it hard for the larger companies to compete?—A. The larger companies in making their green weight purchases bought scrap too. The conditions are the same.

Q. Did they not pay the prevailing rate of 15 or 20 cents a pound?—A. Yes, they would have to take their loss. It is a valuable product.



Q. Did you offer that scrap tobacco to, say, the Imperial or the other companies?—A. No, it was offered to a leaf merchant firm who also buys that for sale.

Q. It seems to me that it is rather an unusual situation?—A. No. It is not unusual at all, Mr. Senn; it is a valuable product. It has limits in its use for manufacturing, because it is broken. It is a valuable product. It often represents some of the fine and best of the leaf.

Q. In that case if it contains good tobacco, only in a broken form, I cannot see the difference, because it has to be broken up anyway?—A. Not broken up in the same way. For instance, it is very expensive to take the stem off because it is broken up. In the manufacture of high classed cigarettes it cannot be used because it contains so many shorts or fine particles that it would fill your mouth with little bits.

Q. Did you get any offer from the larger companies?—A. It was not offered to any Canadian manufacturer other than the Rock City Tobacco Company, because they normally get plenty of that in their own green weight purchases.

*By Mr. Sommerville:*

Q. That is, in the amount of green weight purchases which they make when they handle and pack and cure they all create a good deal of this same waste?—A. Yes, it is largely mechanical.

Mr. SENN: But they pay a larger price for it.

The WITNESS: Only in the mass. They naturally take into consideration when they are buying green weight purchases the fact that they are going to have 2 or 3 per cent of scrap, and that is naturally taken into consideration in the price.

Mr. SOMMERVILLE: When they are fixing the price they pay for the average crop?

The WITNESS: Yes.

*By the Chairman:*

Q. There is one point that Mr. Senn is not quite clear on. It is this: would the other manufacturing companies pay 15 cents a pound for scrap as scrap?—A. Decidedly not.

Q. That was the point?—A. Decidedly not.

*By Mr. Senn:*

Q. Not altogether. I should imagine that if the company was buying a large proportion of that tobacco, it should have a chance to buy a certain amount of this scrap as scrap at a lower price. There should not be a high price to one concern and a low price to another?—A. That is not the case. We have not offered it.

Q. I understood you to say, professor, that you had offered that to one concern. Perhaps, I was wrong?—A. You mean the scrap?

Q. Yes?—A. No. We do offer it to every potential buyer in Canada, and we take the highest offer we get.

*By Mr. Sommerville:*

Q. But in the grading you graded your product according to the qualities and grades required for the export market?—A. Yes.

Q. So, in tobacco that might ordinarily be sold at 15 or 16 cents a pound average you get some very high grade at above that and then you would have left some waste?—A. Yes.

Q. And the waste was sold?—A. The waste was sold.

Q. In the best market you could get?—A. The waste that would not stand packing charges.

The CHAIRMAN: That was brought about by the fact that you packed instead of selling in bulk?

The WITNESS: Yes, it was part of the natural process of packing.

*By Mr. Sommerville:*

Q. Now, would you just continue?—A. The great bulk of the balance of the tobacco unsold is held by the growers also, but they have consigned it to the Canadian Leaf Tobacco company who have made an advance, a cash advance on the crop, somewhat in relation to the value of each crop to the 24 cent top.

Q. Yes. Now, then, this tobacco which was not purchased during the marketing season is packed?—A. The marketing season, yes.

Q. Some of it was not purchased because of the services that had been rendered to the farmers in telling them that the value of their crop was more than the amount which had been offered for it?—A. No, I think there was very little of that, very few turned down any offers for sale this year. Practically all the buyers follow this practice of making an original offer very close to the value of each crop, on the 24 cent basis, and I know of very few cases where it was actually turned down.

Q. On the 1933 crop?—A. Yes.

Q. Of the crop not purchased, you say about 9,000,000 pounds is in the hands of the two associations?—A. The two associations, and the Canadian Leaf Tobacco Company who have taken in and made advances on and packed the crops of growers who are not members of either association.

*By Mr. Factor:*

Q. Who are the Canadian Leaf Tobacco Company?—A. It is a leaf handling and leaf packing, leaf merchant firm in Chatham, a subsidiary of the Universal Leaf Tobacco Company of the United States.

Q. Has it any relation to the British Leaf Tobacco of Chatham?—A. I think not; not that I know of.

*By Mr. Sommerville:*

Q. At any rate, the amount held by these three organizations constitutes about 9,000,000 pounds?—A. In addition to that, some large syndicates like Seythes and Freeman have some of the unsold portion which they are packing themselves, and I have some myself.

Q. So that the unsold portion is, in comparatively strong hands?—A. In comparatively strong hands; in hands that do not require any forced liquidation. In other words, it gives sufficient time to make an attempt to market it in a reasonably orderly fashion before the next crop comes.

Q. And you say that this method of holding it has been in the interests of the grower?—A. Decidedly.

Q. And it has been assisted financially by the provincial government?—A. Yes.

Q. And the first year in which this has been in operation was the year 1933?—A. Yes.

Q. And that was brought about by reason of the conditions which had prevailed in 1931 and 1932?—A. Yes. The conditions of 1931 and 1932 had pointed out to the growers some of the weaknesses in their system, and that was this: an individual small grower, if he did not get an offer from the Imperial Tobacco Company, Macdonald's or Rock City or some of the regular buyers,

was absolutely helpless. He was forced to take almost anything he was offered; but during the years the personnel in the industry made enough strides in organization to satisfy the Ontario government that it could carry on their business with a reasonable amount of intelligence; and, secondly, the assistance of government aid was available.

Q. And was it a fact, Mr. Leitch, that these growers who had not received offers from the big buyers did afterwards sacrifice their crops at very low figures to smaller buyers?—A. They did in 1931 and 1932, undoubtedly. They took offers that were less than they could have got had they been in a position to hold on.

Q. And by reason of the organization, in 1933, you say the situation has been changed somewhat?—A. Yes. And also that type of organization—the grower's own effort—eradicated a very vicious type of crop handling by vultures—brokers in the tobacco trade—who got hold of farmers' crops by making tempting promises to him—promises as to how much they could get—and they got hold of his crop and got possession of it without money and got it graded, and the poor grower would find himself entirely at their mercy because he did not know how they were handling it, and the returns were very low.

Q. And not having bought it, it had no cost to them?—A. No.

Q. Except the cost of handling?—A. And packing, yes.

Q. And they sold at their own prices?—A. Yes.

Q. And gave the farmer what was left?—A. It was very detrimental to those who were able to pack and hold because they had to meet that kind of competition in the markets, especially in England.

Q. And that tobacco was sold in England through these brokers?—A. A large part of it.

Q. And that prevailed in 1931 and 1932?—A. Yes.

The CHAIRMAN: These brokers would be a class apart from the regular manufacturers' buyers?

The WITNESS: Absolutely; entirely different.

*By Mr. Sommerville:*

Q. And they were the class who came along after they found the growers still with their crop on their hands?—A. Yes.

Q. Those growers who had not offers from the big buyers?—A. Yes. In 1932 particularly they came along and made contracts even before the market ever opened by making tempting promises of different kinds to these unfortunate men who could not sell, but were, otherwise, good and intelligent men who did not know what they were doing when they put the tobacco in the hands of these brokers in that way.

Q. Because of the fact that this tobacco is held in this way, and in spite of the present situation in the English market, I think you were going on to develop your evidence as to what were the prospects with respect to that tobacco industry.

*By Mr. Senn:*

Q. May I ask one question. Have you sufficient storage and packing facilities at the present time to handle your left-over crop?—A. Yes, there are ample facilities in the hands of good, reputable people to take care of the crop as large as last year or as large as any crop we have ever had, and, no doubt, from the prospective reduction in crop this year—it is not prospective now; it is going to be actual—the facilities are ample.

Q. I understand that certain interests are attempting a project or scheme for the erection of larger storage facilities, I think in Tillsonburg?—A. I have heard that there is a request for official government assistance to one co-operative building a packing plant.



Q. Is there need for it?—A. Not at present. We have plenty of physical facilities in the hands of good reputable people to take care of available business. It may be needed if the export business gets larger, but at the present moment—while most of them are not located in the right place, they are in Essex county to-day with cheap trucking charges it is not a serious matter.

*By Mr. Sommerville:*

Q. At any rate, by pooling your resources in the matter of physical facilities you can handle the entire crop there?—A. Yes.

Q. Then, you were going to continue with reference to the situation in the English market; or did you propose to present to the committee some evidence as to what you thought of the prospects in the English market?—A. I think, if I remember correctly, this morning I pointed out before we adjourned that just at the present time in respect to the tobaccos now in sight there is relatively little activity, and our efforts to sell at a profitable price have not met with much response. Although we have had price indications, both the marketing board handling these tobaccos and private individuals indicate that the tobacco could be sold well above the 15 cents advance but not sufficient yet to yield a price comparable with what the rest of the tobacco sold for. It is a situation requiring a little time to work out the difficulties and uncertainties that have arisen through the abolition of the coupons, and, particularly, to allow to sink into the Englishman's mind the real effect of this acreage reduction campaign, because that was the real reason for shrinking our acreage down to a point so that we were not running the danger of adding to the supply next year another year's usage of tobacco.

Q. That is to say, the Britisher having bought substantial quantities last year for use in connection with at least premium business, the premium cigarette business, has a substantial quantity in his own hands?—A. Yes.

Q. And your reduction of acreage this year will indicate to him that there will not be a surplus this year?—A. Yes. The growers themselves are taking the necessary steps to avoid the danger of building that up.

Mr. SENN: In that connection, is it not true that some 25 or 30 further units are commencing operations this year?

The WITNESS: The last information I had there were 22 new farms established.

The CHAIRMAN: Growers?

The WITNESS: Yes. New farms equipped. I believe there are actually more.

Mr. SENN: Will not that offset, to a considerable extent, your reduction in acreage?

The WITNESS: No, nearly all of these new growers have agreed to keep their acreage to 15 acres, and that would be only three or four hundred acres producing. Well, a 25 per cent reduction of 28,000 acres last year is 7,000 acres. This is really only a drop in the bucket.

*By Mr. Sommerville:*

Q. You think that with the assurance to the British market of there not being the likelihood of a surplus this year and the orderly marketing of your crop, there will be every prospect of a development in the British market?—A. Yes; but no doubt in addition to purchasing for use in cigarettes, the Britisher is finding uses in other directions. He is finding a use for Canadian tobacco in medium priced pipe-smoking mixtures, and the regular standard cigarette; and these uses are increasing as the kind of tobacco and the ageing of

the tobacco justifies. But we are not likely, as far as I can see, to have a market like the ten-for-four-pence cigarette, strike up that will create the terrific increase that we enjoyed during 1930 and 1932.

Q. But you count on a steady increase?—A. Yes. In connection with the steady increase, a continuity of supply is one of the essentials of the British market, or in establishing any tobacco business.

Q. You think you are in a position to provide a continuity of supply through the channels that are already in operation?—A. Yes.

Q. What about the effect on the Britisher of the restriction in acreage; is he not likely to say that continuity will be disturbed by restricting your acreage, as requested by domestic companies?—A. Well, no. You see, even with the restricted acreage in contemplation this year, with the usual Canadian buyer buying for the domestic trade, with a normal crop there will still be produced a sufficient quantity for export, to equal the amount they will use this year, which is the gauge for that. There is some difference of opinion as to just how much that will be, but after all it is in the hands of the Lord. We cannot tell what the crop will be like. There may be not any. If we have wet weather then we won't have any for export. If we have a little too much it will probably be the better quality of tobacco, and they may be tempted to buy for stock purposes.

Q. We have had evidence that the prices paid for the crops of 1932 averaged something like 16 cents, and for 1933 the average was something like 18 cents. This committee is desirous of knowing from you what price should be paid to the grower to provide him with the cost of his production and some reasonable return on his investment?—A. Well, using my own experience and my own companies as a guide, and as a basis, I would say an average price, taking into consideration the hazards obtaining in the industry, from time to time, or a price basis giving him an average of 25 to 28 cents would be—

Q. As an average?—A. Yes. I might say that would make my business fairly profitable, because I am one of the low cost producers in the area. I have a type of land that produces a good average every year, a good deal more than the average yield.

Q. You operate in a large way?—A. We operate in a large way, and therefore have effected large savings in operations.

Q. Your overhead is confined to that particular plant?—A. In addition to that I have not been subject to the worse vicissitudes of the local market. I have always been able to get a little better than the average price on the whole. For that reason a price situation that would provide for the average man in the industry 25 to 27 cents would be a profitable business to me, yield a fairly decent profit.

Q. That would make it a profitable business for you?—A. Yes.

Q. For the average man who has not the facilities that you have, it would pay him his cost of production?—A. Cost of production and a reasonably decent wage for the grower and a little profit say from 4 to 8 per cent, depending on how well run his farm is, and it would provide for necessary depreciation, over a term of years. It might not do that in one year, if the crop yield was low, but I am speaking of over a period of years.

Q. That average price of 25 to 28 cents would reflect in what way on the top prices?—A. Under the present conditions of selling it would require a top price of somewhere around 35 cents to make up that average.

Q. You would require a top price of 35 cents?—A. For a few selected top growths.

Q. That is your best judgment over a period of years, and having a knowledge of the conditions prevailing in the industry in the new belt?—A. Yes.

MR. KENNEDY (*Peace River*): To get that price, would it require an increase in the finished product?



*By Mr. Sommerville:*

Q. Would that entail any increase in the cost of the product to the consumer?—A. I do not think so. It might subtract a little bit on the profits of some manufacturer. It is so small you cannot pass it on to a package of cigarettes.

*By Mr. Young:*

Q. Could they not double it and pass it on?—A. As a matter of fact, here is a package of cigarettes that cost me 25 cents. I would be tickled to death to get my company  $1\frac{1}{2}$  cents for the tobacco that is in it,  $1\frac{1}{2}$  to  $1\frac{3}{4}$  cents for the tobacco that is in it; I am not getting that now.

Q. There would be a profit if you got that much for the tobacco that is in that package?

*By Mr. Factor:*

Q. How much is there in it?—A. There are 25 cigarettes. It takes roughly 3 pounds of tobacco to make a thousand cigarettes.

Q. Three pounds to make a thousand?—A. Yes. Of the 3 pounds of leaf part would be lost in stemming. The stem is taken out, but roughly speaking it takes 3 pounds of leaf to make a thousand.

*By Mr. Young:*

Q. Can you break that down and tell us how it is divided?—A. The biggest item is the stamp, 10 cents.

The CHAIRMAN: The excise stamp?

The WITNESS: Then in the cigarette, no doubt, there is a quantity of American leaf manufactured tobacco. To import that tobacco costs 40 cents a pound duty. These are taxes. Then, you have to remunerate the manufacturer, the jobber, the retailer. You have to remunerate the manufacturer for processing, manufacturing and printing the package, and you have to remunerate all the merchandising elements in the trade.

*By Mr. Sommerville:*

Q. You are not getting  $1\frac{1}{2}$  cents at the moment?—A. At the present time we are not getting  $1\frac{1}{2}$  cents. It would require very little increase on what we are getting now to bring it up to  $1\frac{1}{2}$  cents.

Q. A very little increase would bring it up to  $1\frac{1}{2}$  cents?—A. Yes, the increase would be so small it would be difficult to pass it on.

Q. That would make the difference between a profitable and unprofitable business, particularly for the growers?—A. Yes. You must remember the whole of the tobacco we sell does not go into cigarettes. It is not sold for high class purposes. It is sold for pipe smoking and other purposes. It might require a larger proportion of increase on that.

*By Mr. Young:*

Q. How many profits are in that?—A. That is hard to say. To determine that is assuming everybody is making money. That is to say there is the growers' profit, if any, the manufacturers' profit, if any; then there is the Imperial Tobacco company's profit, and there would be the profit of the leaf department of the Imperial Tobacco company, the Imperial Leaf Tobacco company, the buying agency of the Imperial Tobacco company, and then, the profits of all the merchandising elements of the trade. I do not know how many there are, but there are no doubt jobbers and retailers.



Q. At least two?—A. At least two.

Q. That would make at least four or five profits in it?—A. That is if they are all making profits.

*By Mr. Sommerville:*

Q. The one you had no doubt about is the grower?—A. At the present time, yes.

Q. He is not making a profit?—A. You can absolve me from any responsibility.

*By Mr. Factor:*

Q. You mean the Leaf department is a separate entity of the Imperial Tobacco Company?—A. For management purposes they trade under that name. I expect it is a subsidiary organization set up to run that service for the company.

*By Mr. Sommerville:*

Q. What recommendations have you to make to this committee with a view to improving the conditions which have been thus described by yourself and your conferees during the past two days?—A. Well, the first one I would make is one on which steps have been taken in the last few days to meet; that is to control the acreage to bring the potential supply insofar as it can be controlled for this coming crop within the limits of this potential demand. That has already been done.

Q. Control of acreage?—A. Yes; that has been done by joint co-operative action between the growers themselves and the buyers, and it has been extremely effective. I understand that up to last Saturday night, about 85 per cent of the growers—

*By Mr. Factor:*

Q. We did not talk that way in 1929 in the period of scarcity. It seems in every phase of industry, individuals who have come to this committee have asked for a restriction in production?—A. There is an absolute necessity to have this. We know that we cannot add to the exportable surplus of tobacco any faster than the English manufacturer can learn to use it at a reasonably profitable price. And we are faced with the position, if we have a normal yield this year, of winding up a year from now with a three year stock of Canadian tobacco on hand in England, when two is the normal supply.

*By Mr. Sommerville:*

Q. You say up until Saturday last 85 per cent of the growers had agreed to reduce their acreage?—A. About 25 per cent below last year. It is just for one year. It is not a permanent thing. It is not designed to be permanent, because none of us believe there should be any arbitrary barriers put against the normal and proper expansion in business. But this is to meet a temporary condition.

Q. What is the next recommendation that you have for the committee?—A. Well, the first one I would make would be immediate production by the proper government department of statistics, of stocks on hand by type, and the rates at which they are used, both foreign and domestic tobacco, by the manufacturer.

Q. That is, if you had the information available as to what stocks they have on hand, of the various grades and the purposes for which they are used—  
A. No, we would not ask them for the purposes for which they are used, nothing but the rates at which they are being used.

Q. The rates at which they are being used?—A. Yes.

Q. And the quantities that are being used?—A. Quantities, monthly or quarterly.

Q. Then you say that you would be in a better position to do what?—A. To direct our producing activities to keep our supplies somewhat in proportion to the rate at which they are used.

Q. Is this information available in England?—A. Yes, it is available in England.

Q. Is it available in the United States?—A. I understand it is. I have seen statistics that I think would be United States statistics along that line.

*By Mr. Kennedy (Peace River):*

Q. Have you tried to get them in Canada?—A. Yes.

Q. Have you been refused?—A. It has been reported to us by the tobacco companies of the central Ontario farms that they have not been able to get that information.

Q. I suppose it put the companies in a better bargaining position when they know your position and you do not know theirs?—A. Well, I would say so. Any secrecy regarding that is to the advantage of the business, I would say.

Q. They know all about your supplies?—A. Yes, they are right out there in the open. We cannot hide them. I think it is customary with most agricultural products that are stored to have reasonably accurate statistics available to the public. I see no reason why the tobacco manufacturer should be excepted from that, when it is so absolutely vital and necessary, to give the producing section of the industry the proper basic figure on which to determine the rate of their production.

*By Mr. Senn:*

Q. Just in that regard, what influence does the holding over of imported tobacco in bond have on the Canadian tobacco?—A. Well—

Q. Has it any detrimental effect?—A. No. To know how much imported tobacco is being held in store in Canada by Canadian manufacturers is, maybe, not quite so important to us as the statistics regarding the rate at which it is manufactured by month or by quarters or by years.

*By Mr. Sommerville:*

Q. I do not think that is the question Mr. Senn had in mind. Mr. Senn's question was, what is the effect upon your market in Canada of the holding of large quantities of imported tobacco in bond? Does that put the large buyer in the position of independence of your market? Is that what you had in mind?

Mr. SENN: Partly.

The WITNESS: Not necessarily. The Canadian manufacturers established certain balances, certain practices, using, we presume, a certain amount of Canadian and a certain amount of American, and he no doubt makes his purchases of both kinds, both types, in some reasonable relation to his usage month by month or year by year or quarter by quarter.

*By Mr. Senn:*

Q. I was also thinking of the situation in regard to limitation of acreage. Why should limitation of acreage go on to the extent it does while imported tobacco is being held in bond to the extent it is?—A. Well, you refer more particularly to the actual use of imported tobacco than to the actual amount held in store. I would say, generally speaking, at least, academically it must be with the continuous pressure of 40 cents a pound duty, and that forces the Canadian manufacturer to use Canadian in place of American as fast as he believes his public will take it. And the increase in the use of Canadian flue-cured tobacco, especially over the last six years since the Norfolk area came into the field with large quantities, would seem to indicate quite rapid progress is



being made along that line. Just whether it could safely make greater progress still and eliminate more American and supplant it with Canadian, is rather a conjecture, and I would not be able to say.

Q. There would not be any possibility of using a certain amount of it and having the domestic price depressed to the benefit of the company, would there?

—A. No, I do not think so.

Q. You surely realize that impression is abroad?—A. Yes; but after all it costs them 40 cents a pound more, and they have to pay pretty nearly as much, basically, for the tobacco itself first.

*By Mr. Sommerville:*

Q. It is not shipped from the country as manufactured tobacco?—A. No.

Q. There is practically very little manufactured tobacco sent out of the country?—A. Very little.

Q. There is very little manufactured tobacco brought into the country?—A. Very little.

Q. I observe from the reports made to the House on the 16th of April, that there were 5,360,294 standard pounds of foreign light leaf tobacco in the manufacturers' warehouses of Canada on the 31st March, 1934, and the question that Mr. Senn raises is, would that have the effect of depressing the price of Canadian grown tobacco, the presence of so much foreign grown tobacco?—A. No, I do not think that would have any depressing effect.

Q. The query is as to whether or not 5,000,000 pounds is necessary for the Canadian demand, whether a large portion of it might not be replaced by Canadian tobacco?—A. No, that 5,000,000 pounds on hand at any one time is a little less than a year's supply.

Q. Of American tobacco?—A. Of American tobacco; because we import, at the present rate of importation, somewhere between 7,000,000 and 8,000,000 pounds a year or during a year. A year's supply of tobacco, of any type, of any origin, is no great stock of tobacco, in this type of product.

Q. Because of the necessity of maturing?—A. Yes, the necessity of ageing.

Q. Would you continue with your recommendations?—A. The second one I have is the passage of the Natural Products Marketing Act which, in substantially its present form, appears to provide the necessary machinery for the sensible control of the industry, both production and marketing. On account of the compact nature of this industry, the continuity, the homogeneity of interests of all producers—that is, their interests are identical because they are not mixed up with other types of production on the farm—the small area, and the small number of people involved, we believe that an act in the substantial form of the Natural Products Act as it has been brought down, would provide the necessary control within the industry itself.

*By Mr. Factor:*

Q. Have you read the act, all the provisions of the act?—A. As it was first brought down, yes.

The CHAIRMAN: Order.

*By Mr. Sommerville:*

Q. Yes, Prof. Leitch, will you continue?—A. That marketing act, substantially as it is now—although there are a few places where I would like to see it—

*By Mr. Young:*

Q. —strengthened?—A. Yes, strengthened a little bit, but not in the form you mention, exactly; because I have been an economist, and I believe that the interests of the public are certainly entitled to consideration in bringing about



such legislation as that, to see that sufficient dominating power is not given to any producing interest any more than to any manufacturing interest, to abuse the privilege.

*By Mr. Factor:*

Q. Is there anything else but that in the act?—A. Oh yes, decidedly.

*By Mr. Edwards:*

Q. The Magna Charta is not involved?—A. No. The time has come when we must recognize this, that the free exercise of an individual's right to ruin himself and everybody else has to be circumscribed in some way,—just as he is not allowed to ruin himself in other ways than in political ways,—and we have got to learn how to do it. That is my opinion. It happens that tobacco, on account of the conditions I have mentioned, is an industry that could use this act.

*By Mr. Sommerville:*

Q. That is, the production and the consumption being domestic?—A. Yes, and particularly on all phases relating to the grading, marketing and exporting.

Q. And the question of the control of marketing would come within the purview of just such a body as has been indicated?—A. Yes.

Mr. YOUNG: Might I ask a question or two right there, Mr. Sommerville?

Mr. SOMMERVILLE: Yes.

*By Mr. Young:*

Q. Mr. Leitch, you say that because this is a compact industry, with both consumption and production largely within the Dominion, it would be very easy for us to make an arrangement that would give you a price of 25 to 35 cents, that is a profitable price?—A. Oh, not now; that does not necessarily follow.

Q. You say it could be done with this board?—A. No, I didn't. You could never tell till you try, but it would give an opportunity for the industry itself to have a fighting chance to get it.

*By Mr. Sommerville:*

Q. All the elements in the industry?—A. Yes.

Q. To get together under the aegis of this board?—A. Yes, under the aegis of the board.

*By Mr. Young:*

Q. Suppose we did it, and put the producers' on a profitable footing by that action. Considering that we cannot do that with other branches of agriculture what is there to prevent other farmers in other districts from going into tobacco growing, and upsetting the whole apple cart?—A. Your climatic and soil limitations would be one principal factor at the present time.

Q. Would you say the production of flue-cured tobacco cannot be very considerably extended in Canada?—A. It can be extended; just how much we don't know, but not to any great extent until we have the discovery of a type of plant that will mature in ten days to two weeks less time.

Mr. YOUNG: But there may be other districts that you don't know about, that could produce that very quickly; and this advancing price would tempt farmers all over the country to go into that. They would stop growing beans and grow tobacco; they would stop growing corn, and grow tobacco.

The CHAIRMAN: Weyburn, for instance.

Mr. YOUNG: Yes, Weyburn.

The WITNESS: There are definite, narrow soil requirements for this type of tobacco. The localities in which this type of soil exists are fairly well known in Canada. We have some in Ontario just as good, but they happen to be in areas north of Lake Ontario and up near Georgian bay where they have not a single month in the year free from frost. There are sandy areas in Canada of that kind that would grow this type of tobacco, but you can't grow any type of tobacco unless you have the months of June, July and August, the last week in May and the first two weeks in September free from frost.

*By Mr. Sommerville:*

Q. You are dealing at the present time with existing conditions?—A. Yes.

*By Mr. Young:*

Q. What are the existing conditions in British Columbia? Is there not an area out there producing tobacco?—A. There is an area out there in which I believe, during this last year, nearly 200 acres of this type of tobacco was grown.

Q. This move of yours would encourage them to extend their operations out there?—A. Absolutely.

Q. Absolutely?—A. There should not be any bar to making use of any natural resources in the country.

Q. The net result of your policy, if carried out, would be to raise up more competition within Canada; and then you would have to depend on your export market?—A. No, that would not be our idea. We would be foolish to do that. We know now we are past the rate of production that can be absorbed by the domestic market. We know we need an export market now. Our whole security depends on that.

Q. That won't affect the situation; if you put it on a profitable basis, you can't stop somebody else doing it, providing he has suitable soil?—A. That may be all right, provided it is done; and there should be provision made for the orderly expansion of any industry, in any scheme.

Q. You are going back to the scheme?—A. Yes.

*By Mr. Sommerville:*

Q. At any rate, under the policy you suggest there is provision for the orderly marketing of whatever is produced?—A. Whatever is produced; the orderly marketing of what is produced.

Q. Carrying out just such a plan within the industry as you have outlined has volutarily taken place through this existing board?—A. Yes.

*By Mr. Factor:*

Q. In other words, you would favour legislation, whether in the form of a marketing act or otherwise, prohibiting anybody going into the tobacco growing business?—A. Not necessarily.

Q. But that is what it means?—A. No—I said probably substantially in the form in which the act appears.

Q. Well, that act has licensing features which enables the minister of the crown to grant or withdraw a licence to the producer?—A. Yes. I would necessarily expect that anything set up by the government of Canada, the parliament of Canada, for the assistance of any agricultural group, would necessarily contain and recognize the necessity of containing some feature that would protect the public against abuses. That would be one of the purposes for a general marketing board to be set up, to see that the consumer and any other bodies interested were properly protected. Otherwise there would be no permanence, no value to the thing.

Q. In that act there is given to the minister of the crown entire discretion as to refusing licences, whether for production, for export or import?—A. My

little experience with ministers of the crown is that they are pretty responsive to public opinion. I would say that that would necessarily be provided for; if the thing is ever going to be any good, substantial or permanent, it must contain some features that take care of all parties.

*By Mr. Sommerville:*

Q. It must have public support?—A. Yes.

Q. And continue to justify that support?—A. Yes.

*By Mr. Factor:*

Q. Just the same, it does give dictatorial powers to the minister under that act?—A. It would appear to, from the way it reads, yes.

Q. And would you be in favour of that?—A. For the purposes of administration, yes, because you must have some form, some actual direction.

Q. It goes further than administrative purposes only; it gives him the right to refuse a licence to the exporter and importer?—A. Well, that may be justified under certain circumstances, decidedly justified under certain circumstances.

*By Mr. Kennedy (Peace River):*

Q. Have you any dictators in the industry now?—A. No, not in our industry.

Q. Is the Imperial Tobacco Company not in a dictatorial position?—A. It depends on in what sense you mean that.

Q. That is the impression I got from the last two days' evidence here?—A. Not dictators. They are dominators, but they are not dictators, in the sense that they seized power. They dominate by virtue of the large size of their business, and that large size has been effected by natural economic growth.

*By Mr. Sommerville:*

Q. You think that under some such scheme as outlined, with the board, there could be provision made for some more equitable distribution of the spread between the producer and consumer?—A. I would expect something.

Q. Without increasing the cost to the consumer?—A. Yes, without increasing the cost to the consumer.

MR. SOMMERVILLE: Judging by the profits that have been suggested here during the last few days, that might be possible.

*By Mr. Factor:*

Q. Prof. Leitch, where is there a line in that act which will give the minister the right to limit the profits of the Imperial Tobacco Company?—A. Well, I can't recall the text of the act.

THE CHAIRMAN: Do you want to bring the act in and analyze it?

MR. FACTOR: Yes, I analyzed it. I have got it right here.

THE CHAIRMAN: You might bring Hansard in.

MR. FACTOR: I think it is as well to analyze the act here in this committee, as to listen to a lot of evidence on legislation that the government has already introduced.

*By Mr. Sommerville:*

Q. Now, this second recommendation with reference to the marketing board provides for certain features which you think would improve conditions?—A. Yes.

Q. What other recommendations have you?—A. The provision of moderate credit by the federal government, to enable the growers' organizations, which appear destined to have that responsibility, to properly meet the risks and diffi-



culties necessarily attendant on the early stages of the developing of the British market. Such credits to be provided only if the two following conditions are met: First, that these organizations demonstrate that they have some skill and ability in the management of details of export; and second, that they are keeping their production in some reasonable relation to potential combined domestic and export demands. In other words, it is asking the federal government to take over the burden assumed by the Ontario government, of providing credits to tide the growers over the period in which they are going through the risks and difficulties attendant on the opening up of a new market. I qualified that by saying "moderate credits." That is, while any credit might be immoderate, due to conditions arising which nobody foresaw, there should be at least moderate credits; that is, never exceeding half or about half the expected market price, under moderate conditions, and only if the growers' organizations themselves demonstrate willingness and ability to earn, and some experience in the management of the details of export.

*By Mr. Young:*

Q. I suppose you would extend the same credit to all branches of agriculture?—A. I think so.

Q. To every branch?—A. For the purpose of developing export trade, yes, where a product is limited. I think for development of export business it would be probably justified.

Q. Have you ever made any estimate of what that would amount to, how much credit that would be?—A. Oh, it would be less than a million dollars.

Q. Oh, I mean for all branches of agriculture, every branch?—A. Of course, that would run into figures beyond my comprehension.

*By Mr. Sommerville:*

Q. You have not figured that out?—A. No.

Q. But in the case of the tobacco industry?—A. In the case of the tobacco business where there is the possibility of developing a profitable export business, profitable to the grower and profitable to the country as a whole, there should be moderate credit. That is the justification for the Ontario government doing it, for the sake of developing export trade; and they would not have done that for one minute if we were in some difficulty, if it were a fact that we had overproduction in the domestic market and no export possibilities. They would not lend us a cent.

*By Mr. Factor:*

Q. You have Ontario legislation in force now?—A. Well, we have these credits.

Q. Well, under the Ontario statute?—A. Credit was actually advanced before the present statute.

*By Mr. Sommerville:*

Q. Credits were arranged, and are supported by government authority?—A. Yes.

Q. In Ontario?—A. Yes.

*By Mr. Factor:*

Q. You mean there is no provincial legislation in Ontario supporting that?—A. There is now, as a result of this last session of the legislature.

Q. Why do you want to shift it to the federal authority?—A. Well, it is beginning to be beyond the capacity—not beyond the capacity, of course, of Ontario, but it would appear to be a provision to one industry that is solely

located in Ontario; and such provision made should be available to the British Columbia growers and the Quebec growers, any tobacco growers. Being an export business, I think it is a field for the federal government.

*By Mr. Senn:*

Q. Professor, is there a lien taken on the product?—A. Oh, yes.

Q. When credits are advanced?—A. Yes. The Canadian Bank of Commerce is loaning the money on warehouse receipts.

Q. Does that not make the danger very slight on any loan guaranteed by a government?—A. Well, loss could only arise if the credit was too large a proportion of the expected price, and that price was not realized.

Q. You don't think the credit advanced under existing conditions is too great?—A. No. We started at a very low price to begin with, 15 cents a pound on packed tobacco. It cost a third of that to put it in that condition, which means that after all there is very little advance to the grower.

Q. You don't mean to say that the 5 cents a pound packing and storage charges will be a loss to the grower?—A. Oh, no, they are not loss. They are paid eventually by the consumer.

Q. Processed and packed tobacco will bring that much more?—A. Oh yes, decidedly.

*By Mr. Factor:*

Q. How are these credits advanced now, through what agency?—A. The Canadian Bank of Commerce. It is an arrangement by which the Ontario government guarantees the Canadian Bank of Commerce against any loss arising out of the sale of the tobacco at a lower price than the advance; and the whole business is conducted just like I would conduct it myself as a private individual, if I were borrowing money from the bank. The government guarantees the Bank of Commerce against any eventual loss.

Q. In other words, the bank advances money to individual growers?—A. No, to associations.

Q. To associations?—A. Yes. The ownership of the tobacco is lodged by the member of the association in the association in his group; title passes to the association. The two associations are separate. Where the man is a member in the Simcoe association, the title passes to that association. If he is a member of the Tillsonburg association, it passes to the Tillsonburg association. They hold title to his tobacco. They pledge the warehouse receipts.

Q. To the bank?—A. To the bank, for a loan not to exceed 15 cents a pound, guaranteed by the government. The thing is operated by each of these associations which elects three members to a joint marketing board, which administers all matters relating to the handling of his crop, to the grading, packing and selling of his tobacco.

*By Mr. Sommerville:*

Q. And this committee handles the tobacco that is then placed in the hands of the two associations?—A. Yes.

Q. And they are the means of communication between the bank and the associations?—A. Yes.

Q. And they are the marketing agency for the disposition of the crop?—A. Yes.

*By Mr. Young:*

Q. Then you have the government in this position: They have guaranteed you a minimum price for your tobacco?—A. Up to 15 cents a pound.

*By Mr. Sommerville:*

Q. For processed tobacco?—A. Yes, for processed tobacco.

Q. And that price is very substantially less than the price that you get for the finished product?—A. Yes. One hundred pounds of average leaf tobacco delivered from the farm, produced, in the case of this Simcoe association, 72 pounds of packed tobacco; and in the case of the Tillsonburg association, 74 pounds.

Q. That is 100 pounds of green tobacco produced 72 to 74 pounds of packed tobacco?—A. Yes.

Q. That is upwards of 25 per cent shrink in the packing?—A. Yes.

Q. And in the curing process?—A. First of all, there is a shrink arising out of the sale of the crop, in the rejected grades, and the fact that in each crop there is always some quantity of tobacco unfit for any purpose at all; and then there is a shrink of about 10 per cent in the actual drying of the tobacco from the green farm condition to a dry condition.

*By Mr. Factor:*

Q. In other words, you feel that the security, by transferring warehouse receipts, is sufficient for the loan advanced?—A. Absolutely.

Q. Why could the bank not advance these loans without a government guarantee?—A. Because the associations had not yet demonstrated any ability to run it.

*By Mr. Young:*

Q. You don't want the government to give a guarantee; you say you don't want the government to give this guarantee until they have found that out?—A. Not the extension of any further credit.

Q. You want further credits?—A. No, no credits from anybody at all; if these two associations do not demonstrate some ability to handle this properly, they have no right to get any more money from anybody else anytime.

Q. Is the Ontario government to be relieved of this guarantee? You are asking that it be passed on to the federal government. Has the Ontario government expressed any anxiety over it?—A. No, none whatever.

*By Mr. Sommerville:*

Q. You just started this, did you?—A. Just started last fall.

The CHAIRMAN: They might be reluctant to let it go.

The WITNESS: I don't know. I never discussed the matter.

*By Mr. Sommerville:*

Q. At any rate, your recommendation is that this be made a federal matter and available to all producers of tobacco, federally?—A. If I may, I will modify that—either by the federal or any provincial government.

Q. All right. In other words, they may copy that in Saskatchewan, or Weyburn?

Mr. YOUNG: It has been there already.

The WITNESS: Make it a permanent policy, and only until such time as the industry has got established, to meet the risks and difficulties associated with opening a new market.

*By Mr. Sommerville:*

Q. Is that one of the practical suggestions of meeting and making a larger export market?—A. Yes.

Q. Now, what is the next?—A. The fourth: "In the event that this committee finds that the Canadian manufacturers have not passed on to the public



some or all of the savings resulting from the decreased cost of their purchases of raw leaf both domestic and foreign since 1931, that a tax on their Canadian purchases of 2 to 5 cents per pound be levied and used as a foundation fund for the above-mentioned credits, possibly more to protect the government against any eventual loss in those credits than as a bonus to the growing industry."

*By Mr. Kennedy (Peace River):*

Q. Why don't you ask that the profits the manufacturer is making be divided up, and take your ups and downs with him?—A. They made their profits out of other activities than handling Canadian tobacco.

*By Mr. Young:*

Q. Mr. Leitch, these people are paying you now 15 to 20 cents, and if you put a tax of 5 cents a pound on all they buy they might take that off you and pay you 10 cents?—A. They might. I will take a chance on that.

*By Mr. Sommerville:*

Q. If you create the export markets?—A. Yes.

Q. Are those the recommendations?—A. Yes.

*By the Chairman:*

Q. There is one question I would like to ask: is there any possibility of closer collaboration between the large Canadian manufacturing concerns, the processing and warehousing group, and the growers?—A. Oh, yes, I think so. I think there is.

Q. I think that Mr. McKay in his evidence made a very excellent suggestion—it was an express wish, I think, rather—he wanted to see peace and goodwill?—A. Yes. We all want to see that.

Q. What is there to hinder that closer collaboration between the interests involved so as to achieve a more satisfactory position for the grower? What are the impediments in the way?—A. To begin with there is the natural distrust and suspicion that usually exists between small agricultural producers and the middleman or manufacturer who handle his product. That is a very distinct psychological condition; it takes a long time to break down that prejudice, and it takes a long experience.

Q. Now, Professor Leitch—I will not say this to you personally, I am saying it to the group of officers who have appeared here the last two days—they strike me as a highly intelligent and well trained group of men representing the growers; so that particular factor which you have just mentioned does not exist?—A. Of course, you must remember that we are only a small part of 9,000 growers.

Q. You are a representative group, and you are the leaders. Could not you gentlemen who we have been listening to for the last two days get together with the large buyers and the processing firms that you mentioned to-day, and mentioned as concerns of high standing?—A. We are actually doing that. There is more cooperation between the groups to-day than there was five years ago when I started in business, and not because of any contribution of my own.

Mr. SENN: In spite of the fact that the prices dropped to practically half?

The WITNESS: Oh yes.

*By the Chairman:*

Q. The fact remains, from your own evidence and that of others, that the price to the grower to-day is too low?—A. Yes.

Q. Not only for profit, but for even maintenance of those in the industry?—A. Yes.

Q. And because there are debts being piled up now, which is an unhealthy condition?—A. Yes.

Q. Frankly, I think it would be possible for you to get together and make some suggestion to the committee whereby we might help or where government action might help on some common basis which would be acceptable to all.

*By Mr. Sommerville:*

Q. At the present time, the price drop has been the great barrier between the two factions, has it not?—A. Yes. Those of us who have appeared so far represent a fairly large portion of the producing industry, and, after all, Mr. Forsythe, Mr. Freeman and myself speak particularly for our association. I can tell you that up until these last few months it has been hard to get our general body of members to feel that our difficulties are not necessarily entirely due to the activities of the Imperial Tobacco Company and that we made some contributions ourselves to them; but a year ago or two years ago we could not have come down here and have spoken with the same authority that we can speak for growers to-day.

Q. Up until very recently, at any rate, the growers have been feeling generally that the troubles were troubles brought about by the big buyers?—A. Yes.

Q. But you say that in your group you recognize that the production of a large quantity has been a factor?—A. Yes.

Q. And that enables you to speak to-day as you could not speak before?—A. Yes.

*By the Chairman:*

Q. There are two things that strike me as outstanding. One is this: it is absolutely essential that you maintain, shall I say, the goodwill of the Canadian market?—A. Oh, absolutely.

Q. That is one?—A. Absolutely.

Q. And, secondly, you have now an entry into the British market which is momentarily depressed because of these changes you mention, and that business must be enlarged if you are to get that degree of prosperity that is desirable?—A. Yes.

Q. Those are the two objectives?—A. Yes.

Q. Does not that still leave the point I have mentioned, namely, that that will depend largely upon the measure of goodwill that exists between yourselves as growers, the large buyers and, of course, those intermediate firms like the processing and warehousing firms?—A. Yes. Of course, with the processing firms we have the most cordial relations.

Q. What I am getting at, and trying to get into your mind, frankly—and I think this is a good place to say it because we are desirous of promoting goodwill, as a committee—is there anything standing in the way of such a rapprochement between these interests?—A. Not from the standpoint of the growers, no. I think we are rapidly eradicating suspicion and distrust of the large bodies among our own growing people. Now, the joint effort to reduce acreage was worked up through co-operation. That is the first large thing we have done together.

Q. A moment ago, in your evidence, you said that an advance in price from 16 or 17 or 18 cents to, say, an average of from 25 to 28 cents would not amount to enough to be noticed in the retail sale price of tobacco?—A. Yes.

Q. If that is a fact, it strikes me that the point in dispute, or the difficulty that is concerning you, is comparatively simple, and as there are some very influential gentlemen here representing the manufacturing end I would like to see these interests try, say, to-night to have a little friendly and informal talk, and, perhaps, to-morrow when we are hearing more we might get a suggestion



from the whole group so that action might be taken that would assist in bridging this comparatively, apparently, insignificant gap?—A. Yes. I may say, Mr. Stevens, and I think I speak for all those associated with me, that we will be only too glad to welcome any such opportunity to do that.

Q. Is there anything else you want to say?—A. No, I think not.

Mr. MILLER: Might I interject to say that we would be very pleased to discuss the matter with Mr. Leitch and his friends any time.

The CHAIRMAN: That is very kind.

Mr. FACTOR: It might be very advisable also to get a few consumers of cigarettes.

The CHAIRMAN: You might take Mr. Factor in your conference. Frankly, gentlemen, I think it would be an excellent thing if you could get together. I have been very much impressed, I may say, with the clarity and the intelligence, possibly, of the presentation of the evidence here in the last couple of days, and it all indicates to me that business interests, such as we have here in this room to-day, surely could get together and overcome the difficulties with which these people are confronted. And we do not say just one thing—perhaps I am speaking a little out of turn, but one thing does weigh upon me constantly—and that is the plight of the fellow who works on the soil. It does seem to me that in the last year or two he has not been getting the deal that he should have been getting. I am not so much concerned about these keen minded businessmen who are managing the growing interests, but I do think of the fellow you have just mentioned, Professor Leitch, who is so occupied with his daily toil on his 20 or 30 acres that he cannot be expected to understand all the vagaries of manufacturing and merchandising and so forth. But I do say that you other gentlemen who have been here, who understand the situation thoroughly—you have displayed insight into the business from all its angles which is highly creditable to you and at the same time most illuminating—gentlemen like yourself and Mr. Miller and Mr. Lane and others who are here—should get together now and try it. I will ask you to try to reach some point of agreement, and, probably, before the inquiry is over we may have some really constructive suggestions whereby we can recommend to parliament ways and means of helping. Now, I just interjected this because it has been weighing on my mind for some time.

Mr. FACTOR: May I also interject here something that has been weighing on my mind as well, and that is the plight of the independent retailer, say, in the city of Toronto who is unable to get his supplies from the jobber or from the large manufacturing concerns. Would it not be well, before these gentlemen leave Ottawa, to have a conference from that angle of the problem too and see if we can arrive at some satisfactory solution.

The CHAIRMAN: Undoubtedly they are entitled to consideration, Mr. Factor—unquestionably.

Mr. FACTOR: I have received numerous complaints—I know Mr. Sommerville has too—and I do intend to press for an analysis of that problem, and perhaps, these gentlemen who are sitting in the room will bear that in mind when the proper time comes to help us solve the problem which is of intense concern to hundreds of people.

The CHAIRMAN: I believe there is a real opportunity not only before this committee, but before the gentlemen who are representing these interests to-day, to do a service to themselves and to this branch of one of Canada's industries.

*By Mr. Sommerville:*

Q. There is just one question I would like to ask to get the matter on the record before you leave, Mr. Leitch. You are a member of the Joint Advisory Tobacco Committee for Ontario?—A. Yes.



Q. And, as such, you prepared a report under the chairmanship of Mr. Major, of which you, Mr. Leitch, were a member along with Mr. Somerset and Mr. Blake Cohoe?—A. Yes.

Q. You prepared a report, and that report is attached to exhibit number 104. On the last two pages, 14 and 15, is the report on this problem. I would like to have it formally accepted as being the report of your committee?—

A. Yes.

Q. And I will ask that it be submitted in evidence at this time.

The CHAIRMAN: Now, gentlemen, I think we are through with Professor Leitch. Thank you sir, very much. I hope you follow my advice, gentlemen. We will now adjourn.

The committee adjourned until 11 o'clock, Thursday, April 26, 1934.

HOUSE OF COMMONS, ROOM 368,

April 26, 1934.

The special committee appointed to inquire into price spreads and mass buying met at 11 o'clock a.m., the Hon. H. H. Stevens, presiding.

Mr. Norman Sommerville, K.C., of Toronto, and Mr. W. W. Parry, of Toronto, appeared as counsel for the committee.

The CHAIRMAN: The minutes of the last meeting deal with the usual matters regarding witnesses, etc., and the appointment of Mr. Fraser. If there is no objection I shall declare the minutes carried.

Yesterday we requested the various interests that have been before the committee in connection with tobacco, to get together and have a conference. Such a conference was held, and I wish to say that from what I have been able to gather it was conducted in a manner that lends hope to the ultimate successful termination of such a conference in a satisfactory way; but I do not think it is sufficiently complete for me to make any further statement than that, and to thank the gentlemen who took part in the conference for their co-operation in that respect. One company of very considerable importance has not, up to the present, appeared before the committee. Yesterday I sent a formal request to them to be here, and I understand they will be here to-day. It is necessary that that company should be included in the conference as well. A further announcement on this matter will be made later in the day.

In the meantime the Hon. Mr. Hoadley, who, because of an accident was unable to be with us a week ago, is present in connection with the presentation of a brief by the government of Alberta on live stock matters. Therefore we shall not go on with the tobacco matter for a short time, but hear Mr. Hoadley, after which I understand there are one or two tobacco growers from the province of Quebec whose evidence will be heard this morning, and then we shall determine later what further witnesses will be heard in connection with the tobacco phase of this inquiry.

Mr. SOMMERVILLE: There is also a burley grower from Essex.

Hon. GEORGE HOADLEY, called and sworn.

Mr. SOMMERVILLE: Mr. Hoadley is Minister of Agriculture for the province of Alberta.

The WITNESS. I have prepared a submission, but before proceeding with it, might I express my appreciation in having the opportunity of placing some of our conclusions in regard to the questions that you are considering, before you.

In no sphere of Canadian business has the unrest of the past few years been more marked or the criticism of current policies and practices more sharp, than in the fundamental industry of agriculture.

It is true that the policies behind agricultural production and the marketing and distribution of the products of the land, do not to-day differ greatly from those of a few years ago when the industry enjoyed an era of prosperity. But steadily falling prices for all farm commodities and the inability of producers to

meet their costs of production, have given rise to a searching out of what the producers believe are inequalities in the marketing and distributive system, and the focussing of public interest on these alleged inequalities.

It is my purpose, therefore, to present to you the viewpoint of the producers of farm and ranch live stock in the Province of Alberta, concerning the difficulties which to-day confront them, and to suggest, in their behalf, some remedies that must be applied if the rehabilitation of the live stock industry is to be effected.

The contribution of farm animals to the agricultural revenue of Canada has been of increasing importance within recent years. The estimated gross value of agricultural production reached a peak of \$1,825,950,000 in 1927. Of this \$490,644,000 or 26·87 per cent was contributed by farm animals and their products. The estimated gross valuation for 1932 showed a sharp decline from that of the peak year, the total being \$711,898,000, but live stock and live stock products in their contribution to the total, established a considerable gain, the figures being \$250,563,000 or 35·20 per cent of the total revenue.

*By Mr. Senn:*

Q. In livestock products you include dairy products?—A. Yes.

Mr. SOMMERVILLE: What year?

The WITNESS: 1932. We have no records for 1933. This increasing importance of livestock is particularly impressive when figures for the Province of Alberta are considered. In 1927 the estimated gross value of agricultural production in our province was \$330,118,000. Farm animals contributed \$55,475,000 or 16·8 per cent to this total. In 1933 the estimated agricultural production was valued at \$91,031,000 and the contribution of livestock and livestock products \$38,832,000 or 42·6 per cent of the whole.

*By Mr. Young:*

Q. What did you say was the total agricultural production in 1933?—A. In 1933, \$91,031,000.

*By Mr. Sommerville:*

Q. It had dropped from \$200,000,000?—A. It had dropped from \$330,000,000.

Q. In 1929?—A. In 1927; and the percentage was 16·8 per cent of the total in that year. In 1933 the percentage contributed by livestock and livestock products is 42·6. The point I wish there to emphasize is that livestock is making an increasing contribution to the whole revenue secured from agriculture.

Q. Becoming a very fundamental industry in the country?—A. Quite so.

Of the 619,300 head of beef cattle marketed in Canada during 1932 through stock yards and packing plants, 106,923 head were sold in the Province of Alberta. The sale of calves throughout the Dominion in 1932 totalled 335,213 head and Alberta contributed 29,146 of this total. In the same year swine marketings in Canada totalled 3,198,183 animals and Alberta producers were responsible for the sale of 1,008,452 head. Sheep to a total of 576,229 were sold during 1932, 113,261 head of these originating on the farms and ranches of Alberta.

*By the Chairman:*

Q. Is there any danger, do you think, in the figures that are given out regarding the sale of livestock, of any measure of duplication; for instance, a drover or a dealer in the country might buy a number of carloads of cattle or hogs from the market in Alberta, which would be announced as a sale in the stockyards of Edmonton, we will say—A. Or St. Boniface.

Q. —and then bring them down to Toronto and enter them on the market there, and sell them in the open market in Toronto as a further sale. Is there



any duplication to any great extent?—A. I cannot say to what degree, Mr. Stevens, but unquestionably there must be some duplication. For instance, further along you will find in the statement we sold a huge quantity, I think speaking now entirely from memory, approximately 50,000 feeder cattle for Ontario, and of course, when they come to market, they will be listed as sold on whatever market they are sold on after leaving our province, and they naturally are listed in our exports—

*By Mr. Sommerville:*

Q. Listed as feeders with you?—A. Yes.

Q. They will be sold as finished cattle, most likely, on the Ontario market?—A. Not necessarily.

*By the Chairman:*

Q. They might not?—A. They might. The possibilities of duplication are endless, because you might buy from us a carload of stockers and bring them down to the market and place them honestly on different stockyards, and there is duplication of sale again. It is a statistical difficulty.

Q. The effective statistics would be slaughterings and the exports?—A. Absolutely, if you could get them down to slaughters and exports, I think you would have as near accurate statistical information as possible.

*By Mr. Sommerville:*

Q. Then, your difficulty would be the local slaughterings?—A. Of course, it is just like our statistics in regard to wheat. You cannot deal very directly with the consumption on the farms, but you get some approximate idea, that is all.

*By Mr. Senn:*

Q. This swine marketing must mean the swine that went through the stockyards? Is that right?—A. Yes.

Q. There are other figures?—A. Excuse me, there. That is not accurate; through the stockyards or shipped direct to the packers.

MR. SOMMERVILLE: In Alberta?

THE WITNESS: Yes.

*By Mr. Senn:*

Q. Another witness gave us a figure of 6,000,000 hogs?—A. In Alberta?

Q. No.—A. Well, I gave you first the total—

Q. For 1933?—A. Yes. I think this is 1932. Our production is approximately 1,230,000 odd hogs in 1933. I know of that, but I am only quoting 1932 because the other is pretty much an estimate and it is not yet issued by the statistical branch.

Expressed in terms of percentages Alberta marketed 17·26 per cent of the cattle passing through Canadian stockyards and abattoirs during 1932, 8·69 per cent of the calves, 31·53 per cent of the hogs and 19·66 per cent of the sheep.

The development of Alberta's livestock industry has not been confined, however, to increases in farm animal populations or in the growth of marketings. Substantial gains have also been made in the quality of all classes of stock, and to-day the province is nationally known as an area in which farm animals of championship show ring calibre are consistently being produced. Winnings in recent years at the Royal Agricultural Winter Fair, Toronto, and the International Live Stock Exposition, Chicago, attest to the splendid progress made by Alberta livestock breeders and feeders.

In our province there is held the largest and most successful annual auction of pure bred beef bulls on the continent. I refer to the annual spring sale of

bulls in Calgary. These sales were established in 1901, and since that time 12,035 bulls have been sold for a total of \$2,012,290, an average of \$167 each. The record of this sale is indicative of the persistent efforts made by Alberta farmers and ranchers toward improving the quality of their cattle holdings.

I might say at this point that these paragraphs are not to vaunt at all. They are for the purpose of emphasizing of what importance to Canada it is to have such a splendidly built up, high class cattle industry as we have. That is all.

*By Mr. Sommerville:*

Q. And the necessity of preserving it?—A. Yes, of preserving it.

During 1933, 53,006 head of cattle were exported from Canada to Great Britain. Alberta sent 10,488 or 19.79 per cent of these, and again, as in other years won unstinted praise from British purveyors and others interested in the old country meat trade on the excellence of the bulk of her shipments. The province is recognized throughout Canada as a most promising potential source of hogs fitted for the exacting requirements of the British market. Substantial improvement has also been shown within recent years in the quality of sheep, lambs and wool marketed.

In addition to the important part this western province has played in the filling of domestic and export demands for livestock and livestock products, it has also taken an ever-increasing role in the supplying of feeder cattle and lambs for finishing in the older sections of the dominion. Alberta steers are in demand for Ontario feed lots, and during the past year or two sheep ranchers of the province, in common with those operating in Saskatchewan, have shipped lambs in large numbers to the east. The movement of store cattle from west to east has been as high as 48,000 head in one season, and the trend of agriculture in eastern Canada indicates that this business is only a small percentage of that capable of being developed. Alberta has been prominently identified in this movement of store cattle and is in a position to greatly expand her shipments. Our province, therefore, in addition to playing a prominent part in Canadian livestock marketings is also an important factor as a supply area for other sections of the dominion.

#### INCREASED IMPORTANCE OF LIVESTOCK

So much for the past and present of the livestock industry in Alberta, and incidentally in the three prairie provinces. Wheat market restrictions to be enforced this year constitute a fresh challenge to livestock growers and feeders. Due to low world wheat prices during the past few years a tremendous volume of the lower grades of wheat has been available as feed for stock. The outlook for 1934 is that this situation will be intensified. Legislative control of wheat marketing, in the event of a normal crop, will make available for the feeding of livestock a still greater supply of the lower grades of wheat; and the increased quantities of coarse grains produced on areas taken out of wheat production is expected to still further enhance the opportunity for livestock feeding.

The Legislative Assembly of Alberta, during the session concluded last week, went on record as favouring the bonusing of areas on which coarse grains will be grown this year in place of the wheat of previous years. This body also indicated a desire for reduced freight rates on coarse grains for feed purposes moving between interior points. These actions on the part of the Alberta Legislature show a desire in our province that every facility should be given to enable livestock operations to halt the fall of farm revenue.

The development of the industry, that it may meet the situation of to-day, does not lie in immediate expansion; for in spite of the adverse conditions under which producers have laboured during the past four years there has been a steady increase in the marketings of hogs, sheep and lambs. In the case of cattle,



marketings have been greatly restricted, resulting in an accumulation of cattle on farms and ranches which cannot, for the time being at least, be absorbed in domestic and export channels. In Alberta, for example, there were 80,000 less cattle marketed in 1932 than in the preceding year.

Illustration of the accumulation of cattle is given in the following figures representing marketings in the five year period 1928-1932. These figures represent marketings through stockyards and packing plants throughout Canada.

Year	Cattle	Calves
1928 .....	964,866	418,603
1929 .....	921,125	456,707
1930 .....	676,076	353,063
1931 .....	699,496	338,509
1932 .....	619,300	335,213

It is my considered opinion, representing the livestock producers of Alberta, that the development of our livestock industry to a point where it may efficiently take an improved position in the economy of agriculture, is hinged upon four essentials. These are:—

1. The stabilization of prices paid to producers.
2. The securing of a larger share of the consumer's dollar for the producer of farm animals.
3. The lowering of transportation and marketing costs.
4. The widening of markets.

Interlocked with these four major problems are other questions of great importance. These include the adjustment of export costs, the establishing and improving of production standards and the increasing of the domestic consumption of farm animal products. It will be my privilege to deal briefly with each of these questions.

#### CONTINUOUS FALL OF PRICES

You have already been told by witnesses before this committee of the chaotic condition of farm animal marketings in recent years. Prices paid producers have steadily fallen to lower and still lower levels. Instability has been the outstanding feature of an extremely unsatisfactory situation.

Unfortunately, marketing statistics for the year 1933 have not yet been released in their entirety, and it is therefore impossible to place before you the picture of unbalanced marketing, which will be revealed by the 1933 figures, at its worst. You are aware, however, that livestock prices in Canada reached the lowest points of a decade during 1933, and the presentation here of some figures for the five year period preceding the disastrous year of 1933 will indicate the manner in which those engaged in the production of livestock continued operations in the face of a steadily falling market.

#### YEARLY WEIGHTED AVERAGE PRICES

Year	Cattle		Calves		Sheep		Hogs	
	\$	cts.	\$	cts.	\$	cts.	\$	cts.
1928 .....	7	55	9	30	11	10	9	80
1929 .....	7	35	9	65	10	20	11	20
1930 .....	6	35	7	90	7	80	11	10
1931 .....	4	30	5	40	6	40	6	25
1932 .....	3	60	4	00	4	80	3	95



*By the Chairman:*

Q. What is that quotation from?—A. That is the yearly weighted average price all over Canada.

*By Mr. Sommerville:*

Q. All over Canada?—A. Yes.

*By the Chairman:*

Q. I wonder what the base of that would be, Toronto?—A. I think the base would be the markets that set the price; and I think Toronto practically does that, Toronto or Montreal.

Q. I confess when you say "Weighted average prices" for Canada, I am not clear in my own mind where it is fixed, or how it is fixed. It would be interesting to have that?—A. Well, that is a point that I think can be cleared up.

Mr. KENNEDY (*Peace River*): I would take in all the main stockyards, where you have a weighted average.

*By the Chairman:*

Q. That could be looked into?—A. That is a detail that you can get.

The CHAIRMAN: We will make a note of that and try and get it. It is really important to get that clear.

The WITNESS: It is a statistical statement.

*By Mr. Senn:*

Q. Where is that from, Mr. Hoadley?—A. It is taken from the statistics prepared by your own people. They will give you an explanation of it.

The CHAIRMAN: I will have the Secretary tell us what that is based on.

The WITNESS: I might say, Mr. Stevens, that further along I give our statistics of our own market, of prices.

The CHAIRMAN: I merely wanted to get that one point clear.

The WITNESS: Distressing as this continuous price decline may appear, its full reaction upon the producer is not revealed by the above figures. Price swings between months in each of the above years have also contributed to the general unsettling of the industry.

An indication of this is given in the figures representing the monthly weighted average prices per hundred pounds of all hogs sold on Canadian stockyards in January and in December of 1931.

*By the Chairman:*

Q. In December last?—A. Of 1931. It is purely an illustration of the swing between months.

In January the monthly weighted average price was \$8.85. In December it was \$3.85.

Q. That is between January, 1931, and December, 1931?—A. Yes.

*By Mr. Sommerville:*

Q. The swing in there was what?—A. \$5; down \$5 per 100.

Q. \$8.85 in January?—A. \$8.85; and in December of the same year it is \$3.85.

Q. I suppose that was enough to drive a good many people out of hog raising?—A. Yes, or staying in without any result from staying in.

Q. Will you continue?—A. Violent price ranges on specified grades are also disturbing factors in the production and marketings of hogs. The price ranges of select bacon hogs in the calendar year of 1932 at western points were as follows:—

## 1932 PRICE RANGES ON SELECT BACON HOGS

	Low	High
Winnipeg . . . . .	\$3 40	\$5 75
Prince Albert . . . . .	3 00	5 45
Moose Jaw . . . . .	3 10	5 35
Saskatoon . . . . .	3 00	5 45
Calgary . . . . .	3 25	5 25
Edmonton . . . . .	3 05	5 20

Of course, to be fair, we must recognize this, that the farther you get away from the markets of the east, and railroad transportation enters to a greater degree into it, there is naturally a decline of price.

It is true that within the past year the situation with regard to hogs has changed greatly.

In May, 1932, the monthly weighted average price of all sheep and lambs sold on Canadian stockyards was \$7.75 per one hundred pounds. The monthly weighted average price for November was \$3.80.

The price ranges on specified classes of sheep and lambs during 1932 was even more violent than the fluctuations in the bacon hog division. The following table gives the price fluctuations at three representative western points on lambs in 1932:—

## 1932 PRICE RANGES ON GOOD HANDY WEIGHT LAMBS

	Low	High
Winnipeg . . . . .	\$3 00	\$10 00
Moose Jaw . . . . .	3 00	9 00
Edmonton . . . . .	3 00	10 00

Q. That is the domestic market situation?—A. Yes.

Q. It is not the export market?—A. Well, that is the market. That is the price they were sold on those markets, whether they were used by the packers of our own city or local butchers, or whether they were shipped to Winnipeg or Montreal or Toronto.

Q. That product is not shipped to the old country?—A. No.

*By the Chairman:*

Q. What is that, lambs?—A. Lambs.

Q. We used to ship some to the states?—A. Yes, but they are not shipped to the old country.

*By Mr. Sommerville:*

Q. So these fluctuations were taking place in a commodity that was being consumed domestically?—A. Consumed within Canada.

Q. Within Canada?—A. Yes.

It is not my purpose to enter into an exhaustive study of production costs in western Canada as a means of impressing upon this committee the threat of disaster hanging over cattle and sheep ranchers. One example of the situation confronting these men will suffice to convey to you the entire situation. This is an illustration that I hope will carry some conviction.

## CATTLE PRODUCTION COSTS

During the years 1926, 1927, and 1928, a study of the cost of production of beef cattle under range conditions in southern Alberta and southwestern Saskatchewan was conducted by the Range Experimental Station with headquarters

at Manyberries, Alberta. This study based on over 10,000 head of cattle carried on ranches in herds of from 300 to 3,500 head, demonstrated the following production costs:—

## COST PER POUND OF BEEF FOR VARIOUS AGES

	Average weight at marketing less 3 % shrink	Total cost per head	Cost per pound
	pounds	\$ cts.	cts.
Calf.....	388	28 13	7.25
Yearling.....	710	49 58	6.98
Two-year old.....	1,000	64 16	6.42
Three-year old.....	1,275	78 44	6.15

These costs include a return of six per cent interest on the rancher's investment.

Permit me to remind you that the weighted average price paid for all cattle in 1932 was \$3.60. The weighted average for 1933 will be lower than this figure, for cattle sales struck an all-time low during the month of August last year. In October prime butcher steers sold at Winnipeg for \$2.88 per hundred pounds and values quoted at other centres were on similar levels. With a ranch cost for a two year old grass fattened steer of 6.42 cents per pound and a selling price of 2.88 cents per pound, less transportation to Winnipeg and yardage and commission charges, the ranch operator, if required to continue to do business on this basis, is faced with bankruptcy.

## RELATIONSHIP OF PACKING INDUSTRY

Interwoven with this pressing need for stability in livestock prices are the major problems of marketing, processing and distribution of livestock and meat products, and your Committee has already been given some details of the unrest prevalent from one end of the country to the other concerning the handling of these commodities from the time they leave the producer's hands until they reach the consumer's table. Producers long have felt that too large a proportion of the consumer's dollar goes to those who process and distribute meats and meat products, and too small a proportion to themselves as the growers and finishers of the live animals.

The distrust that has developed in this connection has been mainly directed toward those in control of Canada's Packing industry. The producers know, for example, that during 1932, a year in which they were driven to desperation by falling prices, and their complete inability to bring costs in line with their receipts, the Packer enjoyed a gross profit of his investment, which even with moderately efficient management must have insured a substantial net return.

Packers play an essential part in the livestock world and there is no desire to discredit them. Without question their contributions has been a valuable and necessary one. At the same time it is only common justice to the primary producers to suggest that the packers should not be permitted the measure of control which they have been permitted in the past. This cannot be justified if the producer is to be adequately compensated for his contribution.

According to figures contained in the 1932 Department of Trade and Commerce publication, "Slaughtering and Meat Packing," (published in 1933) the Packers of Canada, during the year 1932, paid \$66,000,000 for the animals slaughtered and the materials used in their plants. They expended \$10,000,000



on salaries and wages. The factory value of the products they sold in that year was \$91,000,000 and their gross return was therefore \$15,000,000. The capital investment of the Packing industry in 1932 had a total value of \$53,000,000; of this \$34,000,000 represented the value of land, buildings and machinery. A return of \$15,000,000 on a capital investment of \$53,000,000 gives a gross return of 35 per cent.

The producers know from their experience with the Packing industry that the latter is a highly efficient organization, and they maintain it is reasonable to suppose that in the packers' 35 per cent gross profit of 1932 there is contained a substantial net profit which has not been shared, in any degree, with the primary producers.

The meat retailer and the restaurant owner are also criticized by farm animal producers from time to time. It is not always true that prices of meats sold over the counter are out of line with the live animal values, but there are times when wide spreads undoubtedly exist between the prices the producer receives and those the consumer pays. It has been noticeable during the periods of depressed prices for cattle, sheep and hogs, that the charges levied by restaurant owners for meals in which meats from these classes of animals are the main items of diet, have not been lowered, to any appreciable extent, from their previous high levels. The producers maintain that exorbitant spreads between live cattle, wholesale, retail and plate-served prices are prejudicing the consuming public against their products without any resulting benefits to themselves. The downward trend of per capita meat consumption, they maintain, is a definite result of this.

#### DIRECT PURCHASES BY PACKERS

Considerable evidence has been given before this Committee relating to the effect upon livestock prices of direct purchases by Packers, and since the producers' viewpoint has already been fully represented to you, I do not propose to dwell on this subject. It has been suggested to you that Packers should not be allowed the right of direct purchase, and that all livestock sales should be made through stockyards. This suggestion, in the opinion of a large number of Alberta livestock producers, particularly the ranchers, is unsound in that it denies the primary producer his inalienable right to market where, how and when he desires. It is urged, however, that the Live Stock and Live Stock Products Act should be so amended that Packers will be required to weigh and issue scale tickets for all livestock they purchase on the same basis as purchases made at public stockyards. The transactions made daily in the Packers' Yards and also those made by the packer buyers daily in the country, should be known publicly as are those negotiated through stockyards, and market reports issued daily, weekly and monthly should contain records of transactions by Packers as well as on public stockyards.

*By the Chairman:*

Q. In other words, put them on the same basis as public stockyards in so far as weighing and prices paid are concerned?—A. Yes. If you would like me to say something about that at this time before I pass on I will do so. This representation is the result of a meeting that I called of all the different organizations interested in this particular subject; and I do not think it should be read into it that they are opposed to a system of marketing through the stockyards. If the conditions under which that is accomplished are satisfactory that is, adequate for the protection of the producer I think—it would convey a proper impression. If the stockyards were taken over and operated by the Dominion government, through the Department of Agriculture or any other department, at a minimum cost you could, through that method, secure the full effect of the

grading system for hogs, for instance. That is lost to-day by the direct purchase and shipment to the packing plant. Suppose I have two carloads of hogs, they are scattered grades, the buyer comes to me and he says, "I will take the whole bunch at a set price, I do not need to bother grading." I won't say it is the principle but it is the system of buying, that you do not purchase for the benefit of the other man to any greater degree than you can possibly help, and, consequently, the hogs are bought at a discount as compared to their real worth if they were graded and sold in a public stockyard.

*By Mr. Sommerville:*

Q. Sold in grades?—A. Sold in the grades they belong to, and getting the full price in that manner. You would balance the price in the markets throughout Canada if that method were followed.

*By the Chairman:*

Q. We have had evidence here, Mr. Hoadley, that something like 72 per cent of Ontario hogs, and in the case of Alberta, 90 per cent, go direct to the packer?—A. Absolutely. There is the operation of the stockyards, you have commissions, and you have all the other charges. I am not saying anything as to whether they are too much or not, but the point is this, the man on the land has to be considered, and we must realize that we cannot say: Well he should know this and he should know that. We must deal with facts, and the facts are, he does not know anything at all about marketing conditions, and consequently it is our duty to protect him against exploitation, and the only way to do it is to see that he gets service at the minimum cost possible with the purpose of protecting him to the greatest degree possible.

Q. Of course, the evidence up to the present shows—and I think my colleagues will agree with me—that any reduction in charges, any reasonable reduction, or any suggested reduction, would be so small, comparatively, when passed on to the producer that it would not be of very much value to him.—A. You mean to say between the direct system of purchase and the yard purchasing.

Q. No, I mean to say it has been suggested that stockyard marketing charges should be reduced?—A. Yes.

Q. But any reduction such as has been suggested to the committee by any witnesses, when carried through to the producer, is of such a small amount it would be scarcely noticeable?—A. Well, I would say in answer to that, Mr. Chairman, in the presentation I am making I have deliberately avoided suggestions which are detailed, for this reason: That I know, after having administered departments for many years, that there are occasionally or very often obstacles in connection with suggestions that are made to you in good faith but which you cannot put into effect and, therefore, I prefer to enunciate principles and leave it to the intelligence of those who have to carry it out. How are we going to get more to the producer if the consumer is satisfied with his present prices. Let us contemplate the situation by looking from this bank where we, as consumers, stand, across a void in which all the other people and processes are that come between the primary producer and the consumer. Within the between space, in my opinion, is the place from which the extra money must come for the producer, the man on the land.

Q. Your argument is, that by some saving in charges, as well as substantial contributions from the excess profits of the processor, there should be some additional amount go to the consumer?—A. There would be, and I would go further and say this: That there must be a clear and definite effort to educate the public to the fact, that they may be asking for greater service in processing than is necessary in connection with their foods. You see, you can have processing, or any of these things, go mad, and those costs are absolutely mounting beyond



reason. I think one of the greatest things that could be done would be to investigate this subject to see what it means in connection with other costs, see what it amounts to, and what can be eliminated.

*By Mr. Edwards:*

Q. What would you say as to the grading of beef?—A. I deal with that a little farther on.

*By Mr. Sommerville:*

Q. Before you deal with the question of stockyards and direct shipments, Mr. Hoadley, the continuance of direct shipments, even placing the packer under the regulations now prevailing under the livestock product Act, still leaves the packer in the same position that he has been in, to dominate the market by those direct shipments, or affect the market by those direct shipments?—A. Yes. If you will permit me, I would rather put it that he takes away from the market which established prices some of its finest products that have an effect in establishing prices.

Q. Yes, all these direct shipments have a tendency to affect the price on the public market?—A. Yes, that is true. I might say, Mr. Sommerville, that I have some very definite ideas, and I will touch on that very point. I wish to express my views on them if I may be permitted.

Q. Just before we get away from the question of stockyards, perhaps I might ask you, if it is not a fact that the price, generally speaking, of livestock in Alberta is ascertained by the price established on the public stockyards?—A. Yes, to a great degree. Of course, you must understand that we are two hours behind you in the east. Toronto, Montreal and other outside marketing points have established prices before our commission men start selling at all.

Q. Yes, we have had evidence that the information that is forwarded from the Toronto stockyards to the western markets has its effect upon the prices in those western markets.—A. Yes.

Q. And that that is the price and the only price that is broadcasted by radio, or by the Press, to the farmer, from which he can gauge the market price of his commodity?—A. That is so.

Q. We have had evidence that in the case of hogs, in Edmonton in 1932, 98 per cent of them were direct shipments to plants, and only 2 per cent bought on the Edmonton stockyards, and the 2 per cent set the market for the 98 per cent?—A. The price for the 2 per cent is set, to a great deal, by the reflected market in eastern Canada.

Q. And set by the men holding the 98 per cent?—A. Quite so.

The CHAIRMAN: It sounds like a vicious circle.

The WITNESS: It does. It is a circle whether it is vicious or not.

*By Mr. Sommerville:*

Q. And that, in itself, places the buyer then in a position where, if he desires to do so, he can manipulate the market?—A. Quite so.

Q. Mr. McLean gave evidence here, that livestock prices generally throughout Canada were uniform subject to the differential in freight?—A. Yes, I quite understand.

Q. That is, Alberta prices were the average prices less differential Toronto prices?—A. Yes.

Q. The differential from Toronto to Alberta was given as 1.14 a hundred on hogs. Now, I observe that last week, on Wednesday the 18th, the price of hogs quoted at Toronto was 7.50 f.o.b. country points; 7.85 off truck; and 8.25 off the cars at the market, while the prices that were paid beyond Edmonton,



at the stockyards at Edmonton for fed and watered hogs were 7.60 off truck, or 7.50, and off cars, 7.75. Now, if you had a truck load of 7.50 at Edmonton that would mean 8.64 right at Toronto off trucks?—A. Yes, by the proper interpretation.

Q. Yes, by the proper interpretation, and yet the market at Toronto was 7.50. In other words, the market at Edmonton was within 25 of the market at Toronto, whereas if the market at Toronto had been made a price of 8.50 that would have affected all the hogs in Ontario, would it not?—A. Yes, if they have as good hogs in Ontario as we have, of course.

Q. Do not let us make any assumption of that kind, Mr. Hoadley, in your presence, but for the same quality of hogs, we will say. Now then, I observe also, that in that week—April 18th and 19th—Blindman Valley hogs—that is the pool—sold to Canada Packers for 7.35 f.o.b. country points in Alberta. Burns bid 7.05 and Swift's bid 7.25. That is the Central Pool. The Northern Pool, Ponoka, sold to Canada Packers for 7.35. Burns bid 7.05 and Swift's 7.25, whilst the balance of the North Pool went to Canada Packers at 7.35. Now, 7.35 with an additional freight of 1.14 would bring the cost of those hogs at Toronto to 8.49, and that would be the price paid by Canada Packers at Toronto for those hogs at the time they were delivered here; is not that correct?—A. Yes.

Q. Well, the market at Toronto, fixed by those same packers, was a 7.75 market. Can you account for such a procedure, Mr. Hoadley?—A. No, I cannot. I think you had better ask Mr. McLean when he comes back.

Q. Well, he may not know.—A. Well, he may not tell you.

*By Mr. Senn:*

Q. Mr. Hoadley, why do you suggest that the stockyards should be taken over by the Federal Department of Agriculture rather than the Provincial?—A. Well, of course, all the rights we have in connection with the operation or control of stockyards have been passed over to the Dominion government years ago under legislation.

*By the Chairman:*

Q. That is, the rights of control?—A. Rights of administration and control.

*By Mr. Sommerville:*

Q. So as to provide uniformity?—A. Yes, so as to provide uniformity throughout Canada. The fact is recognized, that a great amount of the raw product that comes from the stockyards becomes an exportable product.

*By the Chairman:*

Q. But there is nothing to hinder a province from taking them over?—A. Oh no, there is nothing in the world to prevent that.

Q. As Minister of Agriculture in the Province of Alberta, and as one who has had a very wide experience both in administration and in business, how would you feel if you were saddled with the responsibility of running the stockyards of Edmonton and Calgary?—A. In regard to administration?

Q. Yes.—A. Well, my idea would be to cut every single expense that exists that is not necessary, and carry the utmost return back to the man that sent in his stock.

Q. Quite so, but in the operation of the yard, Mr. Hoadley?—A. I would cut out the commission man, for one thing.

Q. You would endeavour to make it a self sustaining institution?—A. Yes, to the greatest degree possible. But first of all, in the actual physical operation I would take all the hogs as they came in and I would put all the different grades

into different pens, and they would be there to be sold. In that way there would be no difficulty. You might come along and you might want all of the special grade bacon hogs.

Q. Of course, that could be done now?—A. That could be done now, yes, but it is not done. I do not want to say a word against anyone, but it is a well known fact that commission men have sold to each other. It is not an unknown thing at all. I say this advisedly that efforts should be made to eliminate the possibility of manipulation.

Q. Well, do you think that the elimination of the commission man would be a good thing for the producer now?—A. I do, because after all what is the commission man? He is only an aid, Mr. Chairman, to a sale. And who is the man that actually processes and disposes of that meat? The butcher that comes and can buy himself does not need a commission man to advise him, and the packers have their own buyers.

Q. Yes, but, Mr. Hoadley, supposing a farmer in your province sent a car-load of steers to the Toronto market. That is a long way off. Who is to look after his interests on the Toronto market in the face of the packers buyers who will be there to buy the steers, or the local butcher?—A. If it was an ideal condition—and, of course, that may be only something to dream about—but if it was an ideal condition, you would be shipping to a market that had no other purpose than to sell my cattle, or anybody else's cattle that came into their hands at as little expense as possible to me, and at the greatest value that could be received.

Q. You would make the owners of the yard the custodians of the stock shipped in?—A. Make them public officials working for the people of Canada, and not working for themselves to make profits, because it is not a necessity.

*By Mr. Sommerville:*

Q. They would be the representatives of the producer?—A. Yes.

Q. And they would be qualified and efficient salesmen to meet the equally efficient packer buyers?—A. Quite so.

*By Mr. Factor:*

Q. So you would first cut out the commission man, and you would also see that the stockyards are working for the public benefit and not for profits?—A. Absolutely.

Q. And the only man you are interested, in, in getting profits, is the producer?—A. No, I am interested in everybody that does something that is worth while and absolutely necessary for the people that live in Canada.

Q. Anyone doing something worth while to dispose of the livestock?—A. It is a question of administration. Anyone that is occupying a position between the consumer and the producer, which is unnecessary in the interests of either party, is an incubus, and a charge that should not be allowed to continue.

Q. In your opinion, the commission man is unnecessary?—A. Yes.

Q. And the privately owned stockyard should be made a public body?—A. A public utility.

*By Mr. Edwards:*

Q. You say the stockyards should be made self sustaining as far as possible?—A. Yes.

Q. You would load that extra debt on the government?—A. May I just give you an illustration—Denmark. In Denmark, you ship to an organization; you do not know what price you will get; you do not know what weight they are; you simply deliver them there, and they are weighed; it is entered against you, the weight of them, the quality, and everything; they are doing the work for you; there is the ear-mark.

*By the Chairman:*

Q. Who does all that?—A. The great cooperative packing plants.

*By Mr. Senn:*

Q. Do you think public opinion is at that stage here?—A. Oh, no, I think it is lagging.

*By Mr. Sommerville:*

Q. In Denmark, of course, the producer is protected by the cooperative, but is also protected by government officials in the packing plants?—A. Absolutely. Alongside of the rail where your sides come down there are three people, one of whom is the bookkeeper. Every hog or half a hog has a number in the ear, and as it comes along they look at that tag and the entry is made against your name. Say your number is 20. The weight is taken off; the government checker is there and he sees the weight; the grader is there and he grades it, and it all goes down on paper, and that man gets all that is in his hog with a minimum of cost in connection with it.

*By Mr. Senn:*

Q. Mr. Hoadley, what have you to say about complaints by the commission men themselves, that their experience results in better prices for the cattle sold?—A. Well now, I have some very good friends who are commission men, and it is not a personal question with me at all; I have no desire to be placed in the position of seeking to do the commission men any harm, but it may be that you will have to explore the whole situation in regard to sale. Some men are better than others, even amongst commission men, and some commission men will get you a better return than other commission men, and that may be the basis on which a commission man says that he got me, for instance, a better price for my last carload of hogs than I got for the previous carload, because the man who sold for me previously was not as good a salesman.

*By Mr. Edwards:*

Q. John Smith ships his hogs and Tom Brown ships his hogs, two farmers fairly close together. Those men get a certain price for their hogs, and usually they check up on that?—A. They do, and as a rule, they are not satisfied.

Q. Would not that be an argument for a commission man in favour of higher prices, with some competition on the market?—A. No.

*By Mr. Sommerville:*

Q. Your suggestion is, that whatever are the elements between the producer and the packing plant, those elements ought to be brought under government control, and they ought to be working for the producer, and at a minimum of expense, and not on the basis of private enterprise and private profit?—A. Yes. I would think so, even if it cost as much, because the psychology of the man on the land to-day is that he is being gouged. I say that advisedly. It would be in the interests of the man on the land, but it would have to be an organization that had no other purpose than to sell for me at the best price for me. If that were done the farmer would be satisfied to that degree, that the sale end of it was not, in any way, disadvantageous to him.

The CHAIRMAN: Mr. Hoadley, quite a substantial portion of western live stock is now marketed through co-operative organizations, wholly owned by the producer; that is true, is it not?

The WITNESS: Yes.



The CHAIRMAN: Now, if they are able, as an organization solely devoted to the interests of the producer, to get better results for the producer, why is it that there is not more sold through these agencies.

The WITNESS: Well, I am afraid I would be infringing more than I have done already on your time if I went into that, because it is a very very involved and complicated subject.

*By Mr. Young:*

Q. Let us have it anyway?—A. There is so much of history in it. Perhaps if we talk about the price of butter fat, it would illustrate the point. The price of butter fat per pound in Edmonton was 33 cents, and a pound of butter was worth 27½ cents in Montreal. Is there any monopoly? Is it common sense? Is it absolutely possible? It is not, except where you have another source of revenue than making butter. This is absolutely going on. Where did the money for buying that butter fat come from? Not from the sale of the butter; and you can apply this illustration to all sorts of marketing.

*By Mr. Sommerville:*

Q. But the fact is the co-operative has not been the solution for the problem which you have presented?—A. No, because of the many drawbacks, not in the system, but putting it into effect; and fighting concentrated power.

Q. And fighting power concentrated against them?—A. Against them.

Q. And then, of course, there are the administrative expenses involved in meeting that?

*By the Chairman:*

Q. Do you think a government-owned and operated agency would serve the producers better than the voluntary co-operative agency?—A. Well, I think it would; for this reason, you have the power of the government to fight antagonistic forces. And then I believe that whatever the producers got they would be better satisfied—they would be satisfied at least that the government got the utmost possible—and would eliminate the grounds for dissatisfaction that exist at the present time.

*By Mr. Sommerville:*

Q. Among the forces which you say have to be met by the cooperative, has it been your experience, or has it come to your knowledge, that certain interests—packing interests—did go out to set up opposition in the areas where co-operatives operated; and did give advantages that were not given by them in other areas to attract non-co-operatives?—A. I would not like to say yes to that, Mr. Sommerville. I would rather say that they set up various systems as time goes along, they vary the systems. It is just like the prize ring, you vary the blow according to the opportunity; and the general system is to send their bulk buyers in to buy hogs, for instance, without grading and shipping direct. Now that is the explanation of how you get the 98 per cent shipped direct in our district.

Q. And the buyer who goes in there goes in there largely representing the interests of the packer?—A. Oh, without doubt.

Q. Whether he is paid on salary or by commission, he is a representative of the buyer?—A. He can buy. We have had cases where cheques have been returned for more than a thousand dollars; hogs or cattle bought by a man supposedly in the past having been a representative of a commission house, for instance, or a packer. When the N.S.F. is put on his cheque, and the producer proceeds to try to collect the money, from his supposed employers he is confronted with the fact that this man was not the agent for any one, but was out to buy on his own, therefore recovery from him was an impossibility.

*By Mr. Young:*

Q. You spoke of the power of the government to fight antagonistic forces; that is to say, you think they would have more power in bargaining, and along those lines—is that the idea?—A. Yes, and then beyond that the methods that might be taken to destroy a co-operative could not be used to destroy the power of a government.

*By the Chairman:*

Q. I presume you would prefer that it would be the Dominion Government which would carry on this work?—A. Yes.

*By Mr. Young:*

Q. Has it been your experience as a government official that governments can sell to better advantage than anybody else?—A. No, and I will tell you why; because the people that sit in the legislature or in parliament in opposition to a government demand such absolute proof of honesty in regard to everything, that they have to check over and over any purchasing to satisfy these gentlemen, and they cannot buy as directly or as cheaply as an ordinary man does.

MR. FACTOR: Now the opposition is getting it.

MR. SOMMERVILLE: We seem to be getting both sides of the picture.

THE WITNESS: I do not know where any of you belong, so I can tell you just what I think.

MR. EDWARDS: Neither do I.

THE CHAIRMAN: This is an harmonious and happy family.

THE WITNESS: Oh, yes.

*By Mr. Sommerville:*

Q. Mr. Hoadley, I do not think by your answer you meant that the government had more power in selling than the packer?—A. No.

Q. What you meant was that a representative of the producer who is in the government employ, we will say, would have behind him influences which would prevent the working of the system which you have described as being the opposition of the big buyers at the present time?—A. Yes, there is force; and the power of public opinion behind the one situation, where it is a lone unsupported organization standing by itself in the other case.

*By the Chairman:*

Q. I suppose you could summarize this portion of your evidence by saying that it is clear that the producer does need a larger measure of, shall I say sympathy and support than is at present given?—A. Yes, I would say that. I would say that he is a man that needs all kinds of support. The other man does not, because he is able to take care of himself. One is a concentrated entity, while the other is a scattered multitude of units.

*By Mr. Factor:*

Q. What about the consumer, what class would he be in?—A. Well, he is pretty badly scattered at the present time, but still he is being supplied with his food. I have every sympathy for the consumer, but I do say about the consumer that low prices, poor prices received by the farmer producer would never help the consumer so much as good prices.

*By Mr. Edwards:*

Q. Would you apply that principle to all merchandise?—A. I would apply it to everything that is necessary for humanity to live. I do not believe in low prices.



*By Mr. Factor:*

Q. What about the purchasing power of the consumer under present conditions?—A. I did not think it was necessary for me to say anything about that, because it is obvious that it is at a low ebb, and it is going to be at a lower ebb the more prices drop. Let me give you an illustration, if I may: the first meeting that I ever attended in my life I attended on the borders of Scotland, when I heard a celebrated man, Lord Randolph Churchill—speak. After he got through talking about economics—wages, costs and so on, because they talked about those things fifty years ago also; there was an Irishman in the audience and he asked the speaker if he would answer questions. His question was this: when I lived in Ireland I got a dozen of eggs for six-pence, now living in Carlisle (that was the city, on the border of Scotland) I am paying two shillings a dozen; how is that? Lord Randolph, like many politicians, answered the question by asking another one; he said, I would like to ask you, if you could buy eggs for six-pence a dozen, why you ever left there; and the answer was: Because, be Jasus, I could not get the six-pence!

*By Mr. Sommerville:*

Q. That is sound economics, even if it is humorous?—A. These days we are having bread in our country sold for next to nothing. I will give you a direct illustration if you want one in connection with this subject if you talk about purchasing power: if you can buy a loaf of bread for five cents, you have to have five cents to do it with, and that is cheap purchasing, isn't it; but are you as well off as if you had to pay 20 cents for the same bread and had 25 cents with which to buy it.

*By Mr. Young:*

Q. And your contention is that if we had the government take over the stockyards, the packing houses, and handling the marketing of cattle and livestock, that they will get a little more money for us and we will have a little more money to buy with?—A. I have not said that; while that may be my thought, I have not said it.

MR. SOMMERVILLE: At any rate, he did explain that the medium of marketing should be made as simple and economical as possible for the producers.

THE WITNESS: That is the idea.

THE CHAIRMAN: Mr. Young, Mr. Hoadley did not include packing houses; I think, in justice to him that should be pointed out.

*By Mr. Young:*

Q. But we still have to sell them to the packers?—A. Yes, we still have to sell to the packers; however business is done processing is necessary.

Q. You said you would prefer that this should be done by the federal government, because they had more money; why is it necessary for them to have more money?—A. Well, I do not know whether I should answer that question; but if it is not shown to us all that under the existing state of affairs of the world, those who possess money in quantity have a power that those who don't have it certainly haven't got, I don't know how it is.

Q. The government is not going to establish processing plants, according to your idea, simply handle cattle for others; and if they need money it must be to cover losses with, isn't it?—A. No.

*By Mr. Sommerville:*

Q. That is not necessarily so?—A. If you are running a business—I do not know of course, and you will pardon me; I do not want to use an illustration about anyone else, because I do not know who I am talking to anyway, or their



business—but if I am running a business that requires capital for trading, I have to have that and I do not contemplate any losses—I may have to absorb them, but I do not contemplate losses—and my necessity for trading purposes may be \$10,000, \$20,000, or \$100,000. I must have capital, I must have money to do that; but it is not because I expect losses.

*By Mr. Young:*

Q. You would be handling the stuff for other people and all the capital you will need will be what will come in on the different products you are handling. The bank will furnish that just as readily for your business as they would for anyone else.

Mr. SOMMERVILLE: Assuming that somebody is providing the capital with which you can acquire the facilities with which to commence your business.

The WITNESS: I think we are getting in a rather confused position in the whole matter, because the supposition is that either the packers would go on or the government would buy them. I think I have tried to keep to the point that it does not really matter so much who does the necessary things as long as they are done at the lowest possible cost both for the consumer and the producer.

*By Mr. Young:*

Q. You are quite content to have the province do it itself?—A. It does not matter to me who does it, but I believe, and I say it seriously, that the Dominion Government—with the co-operation of the provinces if you like, sharing the cost; but the concentration of power throughout Canada is a necessity if you are going to set standards.

The CHAIRMAN: Yes.

Mr. SOMMERVILLE: I think we have your argument very well stated, Mr. Hoadley, on that score.

*By Mr. Kennedy (Peace River):*

Q. With regard to the question of prices, is not your argument with reference to low prices that the primary producer cannot go on, and it is not good for Canada?—A. Of course, that is beyond question. May I just illustrate that for one minute and tell you what occurred in Edmonton, because it is a complete illustration. Last year one of the big chain stores there for the purpose of “leads” as they call it—I think we all understand that.

The CHAIRMAN: “Loss leaders,” that is a very familiar term with us.

The WITNESS: Well, they are not all loss; in the case I have in mind the leader was mutton at two cents a pound. Alongside of this place is a butcher. I buy from this butcher for my house, and he told me that he had bought some half dozen sheep and killed them himself, and he had to sell them at that price to get any business. The next time, he bought at a price that would allow him a profit and compete with the people next door. Now, the people next door sell that—I can go and buy my meat at two cents a pound from that chain store, but their expectation is that I will pick up out of the thousand articles they have for sale, half a dozen at a good profit, and the profit on that other half dozen articles gives them a profit on the meat.

*By Mr. Sommerville:*

Q. And the producer suffers?—A. Of course, and every time you drive his price down you are just reducing humanity to the bread line as fast as you can.

*By Mr. Factor:*

Q. My question is this: I quite agree with you as to the low price the producer gets; but when you increase the price to the producer you must increase the purchasing power of the consumer, and under present conditions that is a difficult thing to do?—A. There is no question about that.

*By Mr. Sommerville:*

Q. There can be no recovery until the producer does get more for his product; and the consumers are only a class of producers and wage-earners?—A. You can carry the sheep business a little further, if you want to. As an illustration, the particular man in this case—I know him well—has a little flock of sheep outside of Edmonton and was making a decent living; he is a man with a wife and five children, they are in rags because they are not getting by as they should. If the price was decent every dollar that he would get would go for clothes, boots, and necessary things like that.

The CHAIRMAN: You mean a price that is fair value for the article in the light of present-day conditions.

The WITNESS: It would go back into the cities where these things are made, and it would help to make living conditions better for many others. You would just simply start a circle that would start machinery moving.

The CHAIRMAN: He is himself a potential consumer.

The WITNESS: Yes.

Mr. SOMMERVILLE: The biggest consumer.

The WITNESS: We are all consumers, and we all contribute for the things we consume. The sooner we get that into our heads the better.

Mr. KENNEDY (*Winnipeg*): And he would take joy in the spending.

The WITNESS: Of course he would.

The CHAIRMAN: All right, Mr. Hoadley.

The WITNESS: I am sorry—

The CHAIRMAN: No, no, it was most interesting and most illuminating. Will you proceed with your statement.

The WITNESS:

#### PACKERS' FEEDLOTS

As you are aware large numbers of cattle and lambs are purchased from time to time by packers and finished in feed lots owned or controlled by packing organizations. Producers are of the opinion that at times this works to the disadvantage of the men whose sole means of livelihood is in the production or feeding of live stock. It is true the percentage of live stock finished in packers' feed lots, compared to the total finished in the country, is relatively small, but the producers maintain that the possession of even this small percentage provides the packers with a means to combat price advances that has proven effective in the past.

*By Mr. Young:*

Q. Just there might I interrupt you; just how do the packers get hold of these cattle, sheep, or whatever they feed?—A. In various ways.

Q. Do they buy them on the market?—A. They buy them on the market or outside—make direct shipment.

Q. Suppose several carloads of cattle came on to the market which the packer does not need, and he selects those that are not well fed and says I will finish these in my yard; supposing he does not do that, what becomes then of the cattle on the market?—A. They go to some man who will feed them, whose business it is to do so, or they are killed and they might take their place in the general classification of beef.



Q. Well then the other man pays a better price than the packer does?—A. He might. If he does not pay as good a price—or rather it should be put the other way—if the packer will pay a better price than he paid, then the packer is paying it because he has two profits to stand behind his purchase.

Q. Do you object to them paying a better price in order to get these cattle?—A. Do I object to them paying it?

Q. Giving a better price in order to get these cattle?—A. I think if he wants them he would have to pay to get them.

Q. But whether these cattle are fed in the packers' yard or somebody else's yard, they are coming back onto the market any way?—A. No slaughter, they are going into the slaughter pen.

Q. Not into the slaughter pen, until they are ready for slaughter?—A. I know; well, that is right.

Q. They are going back into the market, somewhere, sometime?—A. No, they don't go into the stockyards. That is where we are getting confused. You are asking me if the packer sends these cattle. I say that is correct. If somebody else buys them they will come onto the market eventually when they are finished.

Q. Yes.—A. They do not go onto the market, they go into the packing plants and are slaughtered.

Q. But if the other man buys them they go back on the market again?—A. Quite so.

Q. They will send them on to the market another day?—A. Not necessarily. Of course, I think we confuse ourselves with regard to our real situation if we do not realize this, that the packing plants, if properly equipped, are equipped for the purpose of taking care of this for months and possibly a year; and my quarrel to a great degree with the present situation is that they do the purchasing day by day, week by week, or month by month at varied prices in a way that should not exist; there should be some system of stabilization of price. If the packing plants have great cooling chambers and freezing chambers for their products, is it not natural to ask that we should get some sort of level price? Now, for instance Mr. Young, supposing that you got a set price of 5, 6 or 7 cents, a steady price, then the man that is in the business of raising cattle—I do not care whether the cattle are farm raised or ranch raised—would know where he had to get his costs down to. He would have some idea; but at the present time he is between the devil and the deep sea.

Q. You set a price and you are going to give him that price continuously but if this meat, when it is finished, will not bring that price on the market, what are you going to do about it then?—A. Well, the whole thing is this: the price that is received is a part of the system.

Q. We have an export surplus?—A. Oh, well—

Q. You have to supply the domestic market, and your surplus must be exported?—A. There is another possibility. We have the Patterson plan in Australia, getting rid of your exportable cattle without destroying your domestic prices.

Q. Is it some such scheme as that that you have in mind?—A. I have nothing particularly in mind, but I believe in everything that will adjust the condition.

The CHAIRMAN: Let us get along.

*By Mr. Sommerville:*

Q. Yes, go ahead Mr. Hoadley?—A. By the process of refraining from purchases and drawing immediate supplies from their own feed lots, packers are able to create a condition of temporary stalemate in any given market at any desired time, at the same time realizing a profit on the animals they have fed



themselves. It is suggested that this is a flagrant and often used method of driving down prices, but there is a strong feeling among the men with whom the packers compete in the finishing of feed lot cattle, that serious consideration should be given to the question of the Packers' right to possess such an effective means. The principle behind the question of the Packers' right to feed livestock is one which might well be closely studied.

#### STOCKYARD CHARGES

Your committee has been presented with considerable data covering the yardage, weighing and feeding charges assessed by stockyard companies, and you have heard allegations of producers that these charges are exorbitant, particularly in this day of low livestock prices. You are aware that attempts have been made to justify these prices on the grounds that they are absolutely essential, as at present assessed, if the stockyards organizations are to show a return on the investment made in them. Reference has already been made to the suggestion that a more equitable price for livestock would result if a larger proportion of farm animals went through the stockyards instead of being consigned direct to packing houses. Permit me to state a strong opinion exists in Western Canada that a large volume of traffic, a volume sufficient to make possible a downward revision of the various charges made by the stockyard companies, has been diverted from these institutions to the packing houses, solely through the excessive nature of the levies made against producers.

Chief among the functions of the stockyards markets is the establishing of livestock prices. There is a very firm conviction in the minds of many producers that in the decrease in the volume of livestock routed through public stockyards, this main function is being defeated. A complete enquiry into all angles of the present marketing system, to include the part played therein by packers, stockyards companies and commission agencies, and at which producers may have full opportunity to air their grievances, is a pressing need. This enquiry, to be complete, should include study of the need and value of custom slaughtering facilities, and the value and practicability of auction selling as compared with the present method.

#### COARSE GRAIN FREIGHT RATES

There is a great need for reduction in prevailing rates on coarse grains moved from the areas in which they are produced to other districts where they are used as livestock feed. The cost of movement of coarse grains between interior points in the same Province, in many instances, is the equal of the cost of carrying the same grain from the point of origin to Fort William. It will be readily realized that when a livestock feeder is required to ship in grain, he is adding costs against his livestock, which cannot be recovered on the selling market. A reduction in the tariff on grain intended for livestock feeding would place large numbers of men located throughout the semi-arid range regions on a basis of equality with others in more favoured districts, and would also be of great assistance to all feeders in seasons of short crop.

The following is a tabulation. Shall I read it, or would you want me to just pass it over?

Mr. SOMMERVILLE: It will be put into the record as read in support of this argument.

The WITNESS:

#### LIVESTOCK FREIGHT RATES

The justice of the present domestic freight rate structure, in the light of the extremely low returns made to livestock producers during the past few years, is

a field for study which cannot be urged too strongly. The following tabulation gives the situation existing since 19114:—

FREIGHT RATES ON CATTLE, SHEEP AND HOGS IN CARLOADS, FROM STATIONS IN ALBERTA TO MONTREAL AND EASTERN CANADA POINTS WEST THEREOF.

Rate in cents per 100 lbs.

From	Sept. 1, 1914	Mar. 15, 1918	Aug. 12, 1918	Sept. 13, 1920	Jan. 1, 1921	Aug. 15, 1921 to date
Calgary, Alta.....	90	103½	108½	148½	143	114½
Coronation.....	90	103½	108½	148½	143	114½
Edmonton.....	94	103½	108½	148½	143	114½
Lethbridge.....	90	103½	108½	148½	143	114½
Macleod.....	90	103½	108½	148½	143	114½
Stettler.....	93	103½	108½	148½	143	114½
Wetaskiwin.....	94	103½	108½	148½	143	114½

It will be noted that in the period September, 1914, to September, 1920, three increases in livestock freight rates were granted transportation companies. Since September, 1920, two reductions have been made, the last in August, 1921. Shippers of livestock are to-day paying exactly the same charges they paid fourteen years ago, and they insist that if freight increases are justified in times of rising markets and general prosperity, downward revisions are equally justified when markets have fallen.

I am making that submission on behalf of the people interested in the business. For myself it seems rather difficult to imagine a static condition being altered just because of a crop condition, but that is the submission.

The present standard of carload minimum weights, upon which freight charges for livestock are based, is another factor in the transportation question which producers claim is hampering them in their efforts to reduce production costs. A study of these minimum weights should be included in any survey of livestock freight charges undertaken by this committee.

Now there is a submission of these things contained here but it is purely technical, and I presume it will be better for me to hurry.

Mr. SOMMERVILLE: Well, I am sure we desire to have the full agreement presented.

The WITNESS: I feel guilty at taking up so much time:

In connection with the rates on fresh meat products from Alberta points to Eastern centres, a situation exists which handicaps the western packer and re-acts to the disadvantage of the producer. Fresh meat products take a rate which is out of line with the livestock rate, and this permits eastern packers to purchase livestock in Alberta, shipped to the East for processing, and undersell the western packer in the fresh meat trade. This obvious injustice should be corrected by reducing the rate to a point at which it will not give an unfair advantage to the eastern packer.

The situation with regard to freight rates from western Canada on cattle consigned for export is similar to that which prevails in the domestic traffic. The following statement shows rates from representative western points to eastern seaboard ports, as they existed in June, 1916, and again in August, 1921. The 1921 rates are still in effect.



## FREIGHT RATES ON CATTLE, IN CARLOADS FROM VARIOUS WESTERN CANADA STATIONS TO EASTERN PORTS FOR EXPORT.

Rate in cents per 100 lbs.

From	June 1, 1916			August 1, 1921 to date		
	To			To		
	Montreal	Quebec	West Saint John	Montreal	Quebec	West Saint John
Calgary.....	90	95	95	114½	114½	121
Edmonton.....	90	95	95	114½	114½	121
Moose Jaw.....	86	91	91	110½	110½	117
Prince Albert.....	89	94	94	113½	113½	120
Winnipeg.....	60½	65½	65½	85	85	91½

## CATTLE EXPORTS TO BRITAIN

The question of the export of cattle to Great Britain is one of the highest importance to producers in Alberta. Our province has always been a steady contributor of cattle for overseas shipment, and, as has already been stated, of the 53,006 head forwarded from Canada to the Old Country in 1933, 10,488 or 19.79 per cent originated in one province. In addition to these direct shipments, large numbers of Alberta feeders have been finished in Ontario for this market.

You will recall that at the time the Imperial Conference agreements were signed very valuable advantages were given to Canada in the exportation to Great Britain of live stock, pork and pork products and mutton and lamb. In all instances save one, these advantages exist to-day as they did at the time the Imperial agreements were signed. In the case of pork and pork products they have entirely revitalized the hog industry. In the case of live cattle, however, restrictions have been imposed.

In the month of December last, exporters in Canada learned from the press that Canada had agreed with Britain to restrict exports in the first three months of the present year to a figure equalling that of 1933. This figure was 7,863.

Movement of cattle overseas this year to date has been brisk. In the month of January 4,469 head were shipped and in the month of February 3,438 head, a total of 7,907. Had this original quota arrangement been maintained, Canadian producers would have been without an export outlet from the end of February until a new quota was established for the second three month period commencing April 1. It is always difficult to forecast market trends but many of those close to the situation predicted a drop of a full cent in cattle prices all over Canada if the export outlet became closed.

Fortunately for the industry Canada re-explored the situation with the British Ministry of Agriculture, with the result it was agreed that exports to a total of 20,200 head would be allowed into Britain in the first six months of the year. This figure approximates that of the number imported into Britain in the first six months of 1933, the actual figure for last year being 21,792 head.

The British Minister of Agriculture has announced the entire question of cattle imports will be reviewed when the Imperial Conference agreement is reconsidered in June this year, and he has promised adequate protection to the British farmer.

The danger of an immediate drop in Canadian domestic prices, following the filling of the present quota, exists to-day, as it did during the period when the three-month quota was being so rapidly filled. Up to March 29, 11,558 head of the 20,200 to be allowed into Britain in the first six months of this year,



had been shipped, and several hundred head have left western Canada since that date. There is every likelihood that the present quota will be exceeded long before July 1.

Our opinion is that before the 24th of May the whole quota will be taken up.

If the cattle industry of this country is to be safeguarded it is imperative that the British outlet remain available for our cattlemen.

In the light of the total imports of cattle and beef into Britain the Canadian cattlemen's request for unrestricted entry of live stock is not unreasonable. In 1933, we landed in Britain 53,006 head. From the Irish Free State, a country that is not receptive to the policy of Empire unity, Britain drew in the same year 582,000 head. In addition to these shipments Britain received, largely from foreign countries, over 11,000,000 hundredweights of frozen beef and over 900,000 hundredweights of tinned beef. It should be possible for Canada's modest contribution to be permitted without restriction.

#### SUPERVISION OF EXPORTS NEEDED

The restrictions already imposed on exports of cattle to Great Britain make it imperative that maximum discretion be used by Canadians in selecting the animals to be sent overseas. Cattle shipped from the West must be of good quality in order to make a satisfactory return over the heavy costs of shipping.

Consequently, no low class cattle are shipped by us.

This, however, does not apply to Eastern seaboard shippers who are only confronted with ocean transportation, and it is a matter of record, that inferior animals of a type wholly unsuited to the British market within recent weeks have been forwarded to Great Britain. The continuing of this practice must inevitably create a prejudice against all Canadian cattle in the minds of the British importers.

I presume, gentlemen, that you are aware that nobody may ship meats for Great Britain from Denmark without having the government brand on it. They must have a standard of quality before the meat leaves that country.

Mr. SOMMERVILLE: Would you suggest that somewhat similar regulations be applied to live animals from Canada?

The WITNESS: I do. I think that the quota should be taken up only by the high class stuff that will create a reaction towards all our stuff.

To protect the reputation of Canadian cattle in Britain as well as the work of both Western and Eastern men who are earnestly endeavouring to send only choice animals overseas, and to ensure that the quota space is used in such a way that it will be of maximum benefit to the Canadian cattle industry, it is strongly recommended that an Inspector be immediately placed at seaboard for the purpose of inspecting export cattle shipments, and that full authority to refuse ocean transportation to any cattle unsuited for the British export trade be vested in this official.

We say seaboard as the official check. We, naturally, would not want people to move their cattle to Montreal if they could not ship them; so you would have to take care of that.

#### THE UNITED STATES OUTLET

The cattlemen of Alberta are not without hope that the United States market will ultimately be reopened to them. This outlet which has absorbed as many as 500,000 head of live cattle from this country in one year has been definitely closed to beef cattle producers since the Hawley-Smoot tariff of 1930 became effective. This tariff imposed a charge of 2½ cents per pound on cattle weighing less than 700 pounds and 3 cents per pound on cattle over 700 pounds. Representations have been made by Canadian cattlemen to the Government

from time to time in which the full value of this market has been stressed, and Western producers are confident their case will have sympathetic consideration in any trade negotiations conducted between Canada and the United States.

Meanwhile the British outlet contains the key to Canadian livestock prices, and it is of extreme importance that every possible action that will facilitate movement of cattle overseas should be taken.

## EXPORT SHIPPING COSTS

Costs of shipping cattle from Western Canada to Great Britain are heavy. The expense of transportation, handling and selling often totals 50 per cent of the gross returns for the cattle. When cattle of slightly inferior quality or finish are shipped the total costs are often considerably more than 50 per cent of the gross.

In order that you may have a complete understanding of the cost of exporting cattle at the present time, permit me to give you some figures covering a shipment of eighty head of steers from an Alberta ranch shipped from Montreal last September:—

## CANADIAN AND BRITISH CHARGES ASSESSED AGAINST SHIPMENT OF 80 STEERS SHIPPED FROM AN ALBERTA RANCH DURING SEPTEMBER, 1933

## CANADIAN EXPENSES

Rail freight at \$1.14½ .. . . .	\$13 91
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Mr. YOUNG: Per steer?

The WITNESS:

Feed charges en route .. . . .	1.345	
Feed and wharfage at Montreal .. . . .	1.121	
Fodder on ship .. . . .	2.735	
Ropes, buckets, etc. . . . .	.30	
Loading and marking .. . . .	.10	
Tagging .. . . .	.05	
Cattlemen's wages .. . . .	.55	
Stamps and cables .. . . .	.05	
Montreal brokerage at \$17 per car .. . . .	.85	
Ocean freight .. . . .	12.00	
Marine insurance .. . . .	.50	
		\$33.511

## BRITISH EXPENSES

Wharfage .. . . .	.19
Landing .. . . .	.061
Veterinary inspection .. . . .	.081

Mr. SOMMERVILLE: Is that of 1 cent or \$1?

The WITNESS: Of a cent.

Lairage .. . . .	.609	
Droving .. . . .	.487	
Luck .. . . .	.243	
Commission .. . . .	2.43	
		\$ 4.101
Total of Canadian and British expenses .. . . .		\$37.612

The CHAIRMAN: That is per head?

The WITNESS: Yes.

Mr. SOMMERVILLE: Laid down at Birkenhead?

The WITNESS: Birkenhead or Glasgow. That is the total of Canadian and British expenses.

The average gross return per steer was \$61.01, and with a deduction of \$37.61 for expenses the average net return to the rancher was \$23.40. On the basis of Montreal weights these steers made a net return of \$1.932 per one hundred pounds.

*By Mr. Sommerville:*

Q. \$1.932 a hundred for his finest steers?—A. Yes.

Q. That is for September, 1933?—A. Yes.

This illustrates the statement that often 50 per cent or more of the gross return is absorbed by various charges.

The CHAIRMAN: Was that a shipment of good steers?

The WITNESS: Yes.

The CHAIRMAN: Eighty head.

The WITNESS: And it also serves to show the necessity of effecting reductions in transportation and other charges.

I do not propose to deal with these charges in detail but I do wish to impress upon you the importance of securing reductions in them. On the item of rail freight alone the shipper would have received \$5.98 per head more for his cattle if the rate had been based on the old tariff, which charged 90 cents per hundred pounds, instead of to-day's rate of \$1.14½.

The CHAIRMAN: When was that 90 cents in force? Prior to 1921?

The WITNESS: Yes, prior to 1921. 1921 is the last date changed.

The ocean freight charge of \$12 per head is high compared to the value of the cattle. Within recent months it has been increased.

Mr. SOMMERVILLE: The ocean rate at that time was higher than \$12, was it?

The WITNESS: Yes.

Mr. SOMMERVILLE: The ocean rate then was \$20?

The WITNESS: Yes.

Mr. YOUNG: You say it has been increased since this \$12 rate?

The CHAIRMAN: To \$15.

The WITNESS: Yes, to \$15.

Canadian shippers are to-day paying the basic rate of three pounds. In this connection it should be noted that in the early days of the cattle export trade the ocean rate was between \$7 and \$8 per head for animals that would outweigh those to-day being shipped by several hundred pounds.

Of course, in those days they shipped four, five and six year-old steers.

Mr. SOMMERVILLE: Of 1,400 pounds.

The WITNESS: Yes, big steers. I took a shipment to Great Britain in the nineties myself, and there was not a steer less than five years old. Now, the usual thing is eighteen months old—really forced calves, baby beef, young beef.

The CHAIRMAN: Those freight rates you mentioned were away back in the early part of the century?

The WITNESS: Oh, yes; when it was really straight arranged cattle. We calculated if we could get over \$35 or \$40 a head for a steer then it was a great return, but we carried them for five or six years.

*By Mr. Sommerville:*

Q. And that large beef was then made available on the Smithfield market, which was the only market that handled big beef?—A. Yes.

Q. Liverpool and Glasgow markets wanted the smaller beef?—A. Yes; but, of course, the whole situation is changed by small housekeeping and small cuts.

Q. And Smithfield market is not available to-day even for large beef?—A. No. In those days they used to take a T-bone steak that would cover your chest. You cannot get those off the small stuff we have to-day.

Cattle exporters in the West fully appreciated the action of the Department of Trade and Commerce in given direct aid to overseas shipments during a period when domestic markets were completely incapable of absorbing supplies.



Many of them feel that similar action this year would be fully justified and would be of great assistance in promoting cattle exportations and thus relieving the domestic situation.

In the interest of cattle exporters, particularly in view of the tremendous importance of cattle exports to the entire Canadian industry, it should be possible for an all-inclusive rate to be established. This would involve the co-operation of the Canadian and British Governments and all of the agencies rendering services in this connection. It would, however, be fully justified, for with such an all-inclusive rate established Canadian shippers could estimate their net returns with a reasonable degree of accuracy whereas to-day they ship with the greatest uncertainty. I recommend to this Committee that the establishment of an all-inclusive rate be immediately studied and brought into effect at the earliest possible date.

Another action that may well be taken without delay is the restriction of imports into Canada of meat and meat products. During 1932, 701,816 pounds of fresh, chilled or frozen mutton and lamb with a valuation of \$40,600 were brought into Canada. Of canned meats, poultry or game 4,453,927 pounds with a valuation of \$362,884 were imported. Imports of pork, barrelled, in brine, totalled 2,464,925 pounds with a valuation of \$130,318. These imports are a constant thorn in the flesh of western producers, hampered on every side by lack of available markets for the products which these imports supplant.

It is also recommended that a strong effort be placed behind the popularizing of meats as a staple item in the Canadian diet. This is particularly true in the case of beef, the per capita consumption of which has fallen greatly during recent years. In 1929 the per capita consumption was 66·57 lbs; in 1930 65·69; in 1931, 57·93 and in 1932, 56·02. The establishment of two grades of beef, Red Label and Blue Label, in 1928 was designed to increase the consumption of good quality beef. This policy was amazingly successful. In 1931, 17,240,748 pounds of the two grades were consumed; in 1932 consumption of these two grades had increased to 30,682,609 pounds.

There is need for a renewed educational campaign that the merits of graded beef be known to the consuming public, and that the consumption of the graded products be still further increased. It may be pointed out that so far no premium has found its way back to the primary producer of beef suitable for grading. The prices paid for cattle qualified for the red and blue label, when hung on the rail, and those not suitable for grading, choice though they may be, are one and the same.

There is a definite conviction among some cattle producers that the poorer grades of beef should be distinctly identified to the consumer in addition to the two top grades. These men hold that if consumers knew the poor quality product through a distinctive mark, they would make their purchases among the higher grades, and thus the standard of beef consumed throughout Canada would be raised. In the last analysis, if for no other reason, they would know definitely what they were purchasing.

Before concluding I would draw your particular attention to the plight of the beef ranchers in southern Alberta. For years these men have been at the mercy of our tariff makers or unmakers. At one time they found a profitable outlet for their grass cattle in the United States. To-day they are completely cut off from that market. From time to time restrictions have been imposed on exports to Great Britain, and to-day this outlet is greatly restricted. The ranches are in the position of having done everything possible, over a period of thirty years, to meet the requirements of the markets available to them, and time and time again have been rebuffed in their endeavors.

These men are the producers of some of the most superior beef in Canada, if not indeed in the entire British Empire.

I am saying this for the Alberta ranchers, but I say it for the ranchers in the province of Saskatchewan. They are men of the same kind.

Their production is the base upon which rests the splendid reputation enjoyed by Alberta grain finished cattle, including the Red Label Beef which has established such an enviable record in Great Britain and the larger consuming centres in Canada. Unless immediate action is taken to relieve their situation many of these men will be forced out of business and if this occurs the entire beef industry of Canada will suffer a severe blow.

Any steps necessary to sustain the beef ranching business, however drastic and any reasonable expense which the Federal Treasury may incur in this connection, is fully justified by the present situation. The beef ranches of Alberta must not be allowed to go into bankruptcy. Tremendous sums have been spent in sustaining other branches of agriculture. The ranchers have received no assistance in the past. They have relied on their own rugged individualism to carry them through periods of falling prices, drought and other hardships since they first established themselves on their ranches, but the present combination of circumstances working against them has proven overwhelming.

I may say at this point, that when I came down here last November I asked the principal men doing business for what you would call the whole ranching business of our province, to give me an estimate of the percentage of the debts that they could pay if their whole assets were realized, and the answer was, not more than 20 per cent of their debt.

*By Mr. Factor:*

Q. At present prices?—A. Present prices for livestock, yes. It is in their interest particularly that a broader vision of our trade relations with Great Britain should be taken. If a wider market for Canadian cattle cannot be obtained, as one measure of securing improvement and stability of domestic prices, the beef ranchers of Alberta will be among the main sufferers. I suppose you have all read Mr. Elliott's policy; that is the explanation.

The CHAIRMAN: Mr. Hoadley, it is now two minutes to one, and I think we shall come back this afternoon to finish your brief.

The committee adjourned at one o'clock, to meet again at 3.30 p.m.

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#### AFTERNOON SITTING

The committee resumed at 3.30 p.m.

Mr. SOMMERVILLE: You may continue your brief, Mr. Hoadley.

The WITNESS: I had just got to the National Livestock Marketing Board, I think. I hope that stopping at that point is no indication that I desired to stop there.

The CHAIRMAN: No, no; it was just to give you breath.

The WITNESS: It is becoming apparent that unless Great Britain can enjoy a larger outlet in Canada for her manufactured products, she is prepared to further restrict the entry of Canadian primary products into British markets. To the Alberta rancher, in common with other agricultural producers, wider markets along with stability of prices are imperative. No other viewpoint, whether it be that of an eastern manufacturer who seeks the western trade in competition with a British competitor, or that of other interests, should be allowed to cloud this issue.



The people of the Western provinces are following the work of this Committee with intense interest. They are fully persuaded the aim behind this inquiry, as it relates to the marketing of agricultural commodities, is to seek remedies for all injustices which may be proven to exist. Your investigation is the most valuable undertaking ever attempted in behalf of the Canadian livestock industry, and I speak for all the producers of Alberta when I urge that it be continued until all the problems of our livestock men have been ventilated before you.

In the event it is found this Committee has insufficient time to complete an investigation that will reveal all of the essential facts respecting the live-stock industry, I respectfully suggest that a sub-committee of this Committee, or some similar body, be set up to continue this investigation and carry it through to a satisfactory completion.

And as a conclusion to the work of this Committee I strongly recommend as the spokesman of Alberta stockmen, the formation of a National Live Stock Marketing Board. This board in our opinion, should be created at the earliest possible date that the full value of your investigations may be utilized in the bringing about of the reforms in marketing and distribution covered by this brief and other presentations. This board should be a permanent body on which the live stock producers of the country are amply represented. It should have wide powers to continuously investigate all phases of live stock production, transportation and marketing, to correct injustices as they may arise and to impose penalties for contraventions of its rulings.

The live stock producers of Alberta are not content that their industry should lose its identity in the proposed Natural Products Marketing Act, or any similar marketing legislation. An industry that can contribute in the neighbourhood of \$2,000,000 in one year to the wealth of the nation is worthy of individual treatment in the seeking of solutions for its problems.

The work of this Committee followed by the early creation of a National Live Stock Marketing Board, and the decisions and actions of that board, are the mediums to which the vast majority of Alberta live stock producers are looking for relief from their present distressing positions. They see no other agencies through which can be obtained the speedy relief they seek.

*By Mr. Sommerville:*

Q. Now Mr. Hoadley, on the question of your marketing board, you would set up a separate live stock marketing board for handling the orderly marketing of livestock, I understand?—A. Yes; that is included, I think, in what I said.

MR. YOUNG: He said the powers of the board would be to investigate.

THE WITNESS: Shall I read it again?

MR. SOMMERVILLE: Perhaps you might enlarge upon it.

THE WITNESS: I had better read it again because I am afraid somebody did not really listen, or at any rate, absorb what I said. Of course, I have no desire to inflict it upon you, if you want to discuss it. I think we can explain it.

In the event it is found this committee has sufficient time to complete an investigation that will reveal all of the essential facts respecting the live stock industry, I respectfully suggest that a sub-committee of this committee, or some similar body, be set up to continue this investigation and carry it through to a satisfactory completion.

And as a conclusion to the work of this committee I strongly recommend as the spokesman of Alberta stockmen, the formation of a National Live Stock Marketing Board. This board in our opinion, should be created at the earliest possible date that the full value of your investigations may be



utilized in the bringing about of the reforms in marketing and distribution covered by this brief and other presentations. This board should be a permanent body from which the livestock producers of the country are amply represented. It should have wide powers to continuously investigate all phases of live stock production, transportation and marketing, to correct injustices as they may arise and to impose penalties for contraventions of its rulings.

It reiterates in the last paragraph what I read; the creation of a livestock marketing board only reiterates from another viewpoint.

*By Mr. Young:*

Q. Then you went on to describe the powers of the board?—A. Yes.

Q. Would you mind reading that?

*By Mr. Sommerville:*

Q. You say this board is established for the purpose of correcting abuses referred to?—A. This board should be a permanent body on which the live stock producers of the country are amply represented. It should have wide powers to continuously investigate all phases of live stock production, transportation and marketing; to correct injustices as they may arise, and to impose penalties for contravention of its rulings.

Q. What would be the advantages of this board in the livestock industry, Mr. Hoadley?—A. My conception of such a board, and I may say I am very enthusiastically in favour of it, if it is properly manned, and if the purposes in the minds of those who man it are directed towards the purposes that should animate them, and if, in addition to that, they have supreme power, used only in case they find it impossible to organize the industry as it should be organized by voluntary methods, then endless good will result. I do not believe it is any good to ask a tiger to live on meat unless you give him teeth to chew it with.

*By Mr. Young:*

Q. Supreme power, you say?—A. Yes.

Q. To organize them voluntarily?—A. Yes.

Q. Is not that a contradiction?—A. What?

Q. Supreme power to compel these people to organize voluntarily?—A. Supreme power to put the provisions of the act into effect. What is the good of you, in this parliament, passing an act to do certain things, unless you give the men that you depute to do these things, the power to enforce them.

Q. Might you not just as well drop out the word "voluntary"?—A. No, not at all. Why do we put criminal legislation on our statute books; for criminals, not for people who are not criminals.

*By Mr. Factor:*

Q. You would make criminals, then— —A. No, I would not do any such thing.

Q. —of those who would not consent to your scheme?—A. You do no such thing. What you propose to do is to try and get people together. Take the tobacco people, there are a lot of them here—if they will get together and organize their industry as it should be on behalf of the people they serve, as well as themselves, fairness to all, then you do not need those powers. If they say, "We are going to take no notice of it; we are going to do as we like"—you will pardon me; I am casting no reflection upon you, but I must use a horrible example—if they say, "we will do as we like; we do not care who we hurt as long as we do things for ourselves", would you be satisfied that that should be a fact? Unrestrained competition has cut the throats of everybody in Canada.

*By Mr. Sommerville:*

Q. Then your thought, Mr. Hoadley, is apparently when you have the voluntary co-operation of a large majority of those engaged in the industry you would not have their efforts nullified by somebody that stays outside?—A. Exactly.

Q. And wants to do as he likes?—A. Exactly.

Q. In other words, the voluntary principle would be accepted by the vast majority?—A. Quite so.

Q. And after this was accepted there should be power to require the rest to submit?—A. To enforce it if necessary.

*By Mr. Young:*

Q. What do you mean by vast majority?—A. Well, of course, that is only splitting hairs, Mr. Young.

Q. It is quite important?—A. Yes, I know it is. But it is important to you, in the House, when you are dealing with the bill.

Q. It is quite important to the farmer in the country?—A. You are here representing him.

Q. Yes.—A. You should guard his rights if you think they are being tampered with on the floor of the House, when you are dealing with the bill. As I said in the first place, I prefer to deal with principles. What you are dealing with is the administration of it, and it becomes detailed then. And it is only an illustration of the fact that a fanatic might put into effect some act in a way that will disrupt everything, while a sensible man who knows something about administration, and has an idea of the purpose of administration, and that is to accomplish things instead of being destructive, could administer the same act and have no difficulty.

Q. The success of your scheme would depend entirely on getting the right man to handle it?—A. If you leave out the word "entirely" I will go with you. You say, "depend entirely"; I do not say that. The enactment is a great thing, but its greatness is lost if the administration is not on an equality with your act.

*By Mr. Factor:*

Q. Who would constitute the marketing board?—A. I do not know; I have not asked Mr. Bennett yet.

Q. What interests would you have represented in it?—A. Well, I would not like to say what interests, but I would say this, that both the consumer and the producer, and if you like, the processor, shall have representation, but there should be representation beyond that, possibly.

*By Mr. Young:*

Q. Would you have this marketing board do any marketing?—A. Yes, where it is necessary.

Q. I gather from what you read in your brief that this board would act something like the board of grain commissioners and see that penalties were imposed for infractions of the law or investigate grievances and complaints. There was nothing said about marketing?—A. Well, the whole purpose that I can see for a marketing board—not the whole purpose, the great purpose of a marketing board, it seems to me, is this: we must have some method of changing the existing conditions. This morning there was something said about making the consumer pay more money, and that we must not do this and we must not do that. If cheap living would solve the problems of Canada, they would be solved to-day. The existing facts are proof that that theory is nonsense.

Q. You didn't read Mr. Buckle's evidence, did you?—A. No, I am not bothering about anybody's evidence but my own.

Q. He advanced a quite different theory?—A. Quite so. I have no doubt. I have no doubt but what there are lots of other theories than mine; but this I am telling you is mine.

*By Mr. Factor:*

Q. I am very happy that you call it a theory, anyway?—A. Well, of course, some people have different words to describe the same thing.

Q. By the way, it was your government, was it not, in Alberta that passed this miniature N.R.A. act last week?—A. I don't know what you mean.

Q. Was there not an act passed to control industry and trade in your province, last week?—A. I think I have got the act in my case here that might be the one that you are confused about.

Q. I would like you to clarify my mind on it?—A. I am afraid I left it home. I thought it was too dangerous to bring.

Mr. SOMMERVILLE: I have it here.

The WITNESS: That is all right. I don't want it.

*By Mr. Sommerville:*

Q. It is an act for the establishment of a bureau of trade and industry?—A. Yes.

The CHAIRMAN: Give it to Mr. Factor, for cross-examination.

Mr. FACTOR: I am going to ask a few questions later on with your permission.

*By Mr. Young:*

Q. I would like you to answer my question first, whether this board is to do any marketing or not—whether this marketing board is to market livestock?—A. You mean my idea as to what it should do?

Q. Yes?—A. What it shall do, of course, is not in my control. I don't know whether it should do marketing or not. It depends just exactly, in my judgment, as to how you can get along by a certain amount of control and direction. You know the tale of the man that lived in a house that had four doors, and his wife wanted him to always go out and come in by one door. She could not persuade him to do it, so she boarded up three doors and left one open.

Q. It is very handy to have a door to get out by?—A. You see, the illustration of that which I spoke of is that, if you have powers of restraint in such an act as we are speaking of and close the doors that are undesirable in the interests of the people of Canada, you would find possibly that people would be willing to go in that direction without any coercive efforts, or without any control.

*By Mr. Sommerville:*

Q. The mere existence of the power in the act would in itself, you think, be sufficient to add value to the voluntary effort?—A. Well, I am convinced that it would. I may be wrong, but I am convinced.

*By Mr. Young:*

Q. I am not clear on it yet. I may be dense, but I can't get into my head what you are going to have this board do. You want a marketing board. Will you please tell us what that marketing board's duties would be?—A. No, I am not going to tell you, because I am not going to take the function of your parliament. You are discussing it in the House of Commons now.

Mr. FACTOR: Oh, no, your recommendation is for the establishment of a live stock marketing board.

The WITNESS: You will excuse me; you have not asked me what my idea of the board is. You have asked me what this board shall do, and I decline to answer what it shall do.



*By Mr. Young:*

Q. Well then, give us your idea?—A. That is better. I don't mind answering that. For instance, we have difficulties in our stockyards. We have difficulties in connection with the system of setting prices. We have gone all over this. I am sorry I have to bore other people with it, but it is necessary, to answer that.

Q. Some of us are not as bright as others?—A. Well, of course, I think everybody is forgiven if they acknowledge their weaknesses. But there is not any limit, Mr. Young, to what this board might do, and there is not any limit to what it should have power to do, in my belief.

Q. That is to say, you would give it limitless powers?—A. Limitless powers within the purpose of the act. You see, there is no such thing as limitless powers. God Almighty is the only one who has illimitable powers, we are led to believe.

Q. Yes, we can accept that?—A. I am glad of that.

The CHAIRMAN: We have got a starting point.

The WITNESS: There is one point we can agree on, anyway.

*By Mr. Young:*

Q. You say "limitless powers within the purpose of the act"?—A. Without a doubt.

Q. Will you define the purpose of the act?—A. Oh, I can't. Again we are at variance. You mean my thought what it shall do?

Q. Yes?—A. My thought about what it shall do?

Q. Yes?—A. Well, you can do away—this is going over old ground—with the commission merchants, the commission men in the stockyards.

Q. You would give the board power to do that?—A. I would give the board power to have that done, if you nationalized the stockyards. Now, there is no question in the world there has got to be some way in which men from the country may ship their stuff, for instance, a carload of stock, to the yards. They would in the ordinary way ship to the commission man. You would have one man whose work is to take care of that function—instead of ten or eleven.

Q. Instead of these commission men, you would have a civil servant selling cattle?—A. I would not say a civil servant. Of course, he should be civil if he is a servant of the public.

Q. Would he be on the pay roll of the marketing board?—A. Yes, if you like that. I think you can get some very splendid men that will work for a government.

Q. He will be a civil servant?—A. He might be a civil servant. At any rate, it would be his duty to perform that particular kind of work.

Q. To sell that stock in the stockyards?—A. Absolutely. There is no difficulty about that. That is one thing he could do.

*By Mr. Kennedy (Winnipeg):*

Q. If you will allow me one question, Mr. Hoadley,—within your experience, is it your considered opinion that government officials selling live stock for the producers will render as efficient service as commission merchants do?—A. Well, I can't say that I have experience that would justify me in saying yes or no, because it has not been tried.

Q. But you have suggested doing away with them. I would expect you to have a definite view on that point?—A. I have. I have expressed it, that there should be one man.

Q. A government man?—A. Yes.

Q. That comes right to my question; is it your considered view that a government official will render as efficient service to the producers, in the matter

of marketing their live stock, as the commission merchant?—A. Well, I can't say yes or no, as I said before, from the standpoint of experience. But I have this belief, that there is no reason why a good man, working for the people of the Dominion of Canada, paid reasonably, treated decently, if he is the right kind of man, cannot serve the people as well as the commission merchant.

Q. I have no objection to your representation. I want you to understand that?—A. No, but I wanted to crystallize it. I think that is clear. For instance, we have got creameries in the province of Alberta. They are operated co-operatively for the people who send their products to these creameries. They are producing more butter than all the other creameries of a similar size, and we are setting splendid services from splendid men working for the people.

*By the Chairman:*

Q. Salaried men?—A. Yes.

*By Mr. Kennedy (Winnipeg):*

Q. I am not in the real estate business at all, but I have in mind the matter of selling any commodity—take selling real estate. You and I may be the owners of a number of properties. There may be individual cases where we can sell as advantageously as an agent. Yet, through long years of experience there has developed a class of men who are more or less experts,—they used to be real estate agents but now they are called realtors—and their function is to bring the buyer and the seller together; at least, communities have accepted their services, and must believe that they render valuable services. In so far as the producer of livestock is concerned, it seems to me that the commission merchant, if he is efficient, may well render a very valuable service there?—A. Well, of course you see, that brings in another situation entirely and it is this: Is the basis on which sales should be effected partly the ability of the man that is selling, or the commodity that is being sold?

Q. I would say partly both?—A. Well, I don't. I think it is wrong. I think it is one of the curses of our present condition.

Q. I am talking about things as they are, not as they should be?—A. I am talking about the facts being wrong.

Q. You don't think that there is not only the element of the quality of the product, but the efficiency of the man who is selling it?—A. The efficiency of the man that sells a thing and makes me pay more for it because he is a real salesman, persuades me to buy it when I don't want it, or persuades me it is worth more money than I should pay for it, he is an advantage to the seller—permit me to use that expression?

Q. Certainly?—A. He is an advantage to the sellers, but a disadvantage to the purchaser.

Q. Let me pursue that point farther. I think this is not over-stating the case: The buyer is chiefly interested in getting a particular commodity, whether it is steers or pork, at the lowest price that he can obtain it for. You will agree with that?—A. Oh well, yes.

Q. That is his job?—A. That is true.

Q. Now, I say an efficient salesman who may raise him on his price, may not be doing any injury at all, and still get a better price?—A. Well, of course, we have got into ethics now—"it may not be doing any injury." Of course, I can't follow that argument, that belief. I have so many illustrations; take just one, east of Edmonton, in one little district among the Ukrainians, one firm of tractor people sold them in one spring 800 odd tractors, and took their horses in part payment so they could not go back to the horses. It was just high-pressure salesmanship, and that is what caused them to be in debt down in that district. Now, that is something that has simply put that whole community in debt. That is high-pressure salesmanship.



Q. Do you consider commission merchants, commission agents or whatever they are, really parasites that perform no useful service?—A. No, I have no desire to use unfair language or expressions about anybody. I would not call them parasites.

*By Mr. Sommerville:*

Q. Is it not a fact, Mr. Hoadley, that your suggestion is that, efficient men, working for a salary for a marketing board, will render just as good service as these same efficient men working for ten different commission firms would render?—A. That is my point exactly.

Q. That is the whole point?—A. Yes.

The CHAIRMAN: And would remove the psychology.

*By Mr. Sommerville:*

Q. You would remove the psychological effect at the present time existing in the mind of the producer; you say you would remove seven or eight or nine firms now competing for that business?—A. Quite so.

Q. With a relative reduction in cost?—A. That is my point.

Q. Then, relative to certain evidence that we have had submitted, that the reductions in live stock commission agents' charges could not be made because it would affect the stability of the number of firms that are on the various markets,—you have in mind that situation, I presume?—A. Oh, without question.

*By Mr. Kennedy (Winnipeg):*

Q. Will you let me pursue this farther; I assure you that I am not interested in the commission man's point of view?—A. Oh no, I have no thought of that at all.

Q. Does not this element enter into it: If you have, as Mr. Sommerville said, government officials, efficient, salaried, sure of their pay, on the one hand, and on the other hand you have commission merchants, men dependent upon the development of their business for the reputation they get for efficient service, are you not going to get considerable incentive on the part of the commission merchants who depend upon their remuneration from the result of their services, to sell more effectively than you are on the part of the government official who is getting a steady salary, in any event?—A. Well, of course, I can't see the association of this particular activity, of that extra efficiency; because at the present time the packer pays, or any other purchaser pays, just what the market will allow him to pay or what the market demands him to pay; and it is not the efficiency of that commission agent that gets any extra money.

Q. We have had much evidence to the contrary?—A. I do not know, of course, about that.

Q. And I think a great deal of it came from commission merchants?—A. Of course, I prefer not to read evidence because I think it is rather inclined, with some people, to influence their opinion.

*By the Chairman:*

Q. You are giving us your considered opinion on that point, Mr. Hoadley?—A. I am giving you my own conviction. I may be wrong but I am simply giving you my own opinion.

*By Mr. Senn:*

Q. Mr. Hoadley, you were speaking a moment ago on the wide powers that should be given to a marketing board, and you said somewhere in your evidence that one of the chief difficulties with the livestock industries is the fluctuation in price, instead of having a stabilized price?—A. Yes.



Q. In your opinion, would it be feasible for a marketing board to have a fixed price?—A. Well, I think if the necessity arose. What I said this morning, if you will remember, was, that the minute there was in existence the power of putting into effect the fixing of prices, and doing away with the chaotic condition in the industry, if it became necessary, then voluntarily the people would get together and set a price.

Q. Then you would advocate such a board?—A. Yes, at least that is my opinion. If you give a job to somebody to do you must give them the power to carry it into effect.

*By Mr. Factor:*

Q. You have done a beautiful job in this respect with Bill No. 65?—A. Yes. I am glad you admire it.

Q. I am congratulating you on putting your theory into practice?—A. Well now, there is something there that you do not see in Bill 65. It is a fact that eleven of the principle businessmen that will come under that Act have petitioned to be brought under it. You see, we are an enlightened people up there; they realize their difficulties.

*By Mr. Sommerville:*

Q. Although that Act was only passed a month ago?—A. Absolutely, and they are petitioning to come under it.

*By Mr. Young:*

Q. In answer to Mr. Senn, you said that such a marketing board would have to have the necessary power?—A. Yes, they have got to have power, otherwise they could not function.

Q. But supposing the packer is not willing to pay the price that is set, where do you go from there?—A. Do you think that the packer is going to allow \$53,000,000 of equipment to lie idle?

Q. Supposing you fix the price at a figure that the packer cannot get anything out of it when he sells the meat on the market?—A. The board, if it is an intelligent board, will not do that. I am supposing there is an intelligent board.

Q. But don't you see, the minimum price would have to be sufficient to give the farmer a return for his labour?—A. Yes.

Q. But the world to-day is not regulated to such an extent that you can fix the price. Will you tell me how a marketing board is going to tell the world to pay that price for the meat that he buys from the packer?—A. I will be very pleased to oblige you in any way that I can, but I do not propose to answer suppositious questions.

Q. That is not a suppositious question, that is a fact.—A. Well, I think it is suppositious.

*By Mr. Sommerville:*

Q. I understand that your argument, or your suggestion is, that that board may have power to fix that price within a certain range?—A. Exactly.

Q. They would not have power to fix prices which would interfere with world prices?—A. No. I was just going to speak about this excellent thing that Mr. Factor—

*By Mr. Young:*

Q. Do not forget to come back to this later on.—A. I was going to say, that Act No. 65 does not propose anything but setting a minimum price which shall protect the people up to the retailer, then the retailers amongst themselves can take all the profit they desire. That leaves competition from that stage on.

*By Mr. Factor:*

Q. The Act contains a lot more than that?—A. Of course. I am only talking about one thing. You see, a horse has four legs; you can talk about one leg and still talk about the horse.

*By Mr. Young:*

Q. Well now, Mr. Hoadley, you are going to give this board power even to fix the domestic price on a cost plus basis, which I will discuss with you later. We have had evidence, sir, to the effect that if you raise the price of beef above a certain point the consumer then instead of buying beef will buy fish, or eggs, or something like that; he won't buy your beef. If I recall correctly, you told us the consumption of beef had decreased in the last few years. Is that correct?—A. Yes.

Q. How do you account for that falling off?—A. I would not like to undertake to account wholly for it. I believe, however, there are some factors that I could mention, and one is because the price of the beef to the man—I use the plate price deliberately—has been excessive as compared to the price that the producer was getting, and there has been undoubtedly a resentment in many peoples mind because of that fact. For instance, a man goes into Edmonton, or Calgary, or Saskatoon—I mention those places because they are familiar to both of us—and he walks into a restaurant and asks for a beefsteak; he gets it and it is very small one, and a very expensive one. He has just come from the stockyards where beef was selling at \$2.80 or \$3 a hundred pounds; he does not know anything about fish, or any of those other things you mentioned, but let us assume that he buys fish, as you say, for his meal instead of beef, simply because he does have a certain resentment at the price he is paying for a commodity on his plate when he thinks of the price it is selling for per hundred pounds at the stockyards. In addition to that, there has been, of course, a campaign for slimness—not amongst the men but amongst the women—an inclination to turn away from meat foods.

The CHAIRMAN: Such as orange juice?

The WITNESS: Yes, towards orange juice and other things. At any rate, it has been getting away from meats. There is no doubt there are many contributing factors. That is why I say it is easy for you to ask questions as to what is causing it. I would suggest that you think it out for yourself. There are so many things you can think of as well as I can.

*By Mr. Young:*

Q. Now, Mr. Hoadley, you say there is a tendency to get away from beef at the present time, and you propose a scheme that is going to disturb the relationship between the price of beef and the price of other foods. Will not that accentuate that tendency?—A. I do not think it would disturb the relationship, no.

*By Mr. Sommerville:*

Q. It would distribute the relationship more evenly?—A. Yes, it would equalize it.

*By Mr. Young:*

Q. But by your livestock marketing board you set the price of beef that the farmer must get, and that everybody else must get. Is it not a fact, therefore, that the people are going to turn to those other foods, such as fish and eggs, and leave your beef on your hands?—A. Well, is the marketing board only going to handle beef?

Q. Then you want to have a marketing board for every other commodity?—A. Of course, you want to get me into a position that I do not propose to be put in.

Q. What position is that?—A. That is, to follow your line of thought.

Q. I am following yours.—A. Pardon me. I know that as a member of the House of Commons, and of this committee, you have a certain amount of right to speak to me, and if I wanted to avoid it I should not have appeared here; but, on the other hand, I want to make submissions. They may not be very much good, but I am making those submissions, and I will endeavour to answer questions only along the line of my submissions.

Q. Well then, what I am trying to get at, Mr. Hoadley, is the effect of your proposal if it is carried out. You say, you believe that if we adopt this proposal we can force the people of Canada to contribute a larger share towards the support of the livestock man?—A. To get a better price for that which they produce.

Q. If we apply that to livestock only, if the livestock man will receive a larger benefit, and all the people of Canada will pay for it, and if you apply it to every line of industry in Canada, then everybody in Canada will get a larger price, but everybody in Canada will pay for it?—A. Yes.

Q. Is that logical?—A. Yes.

Q. Then I ask you, how much better off we are in that event than we are now?—A. You have asked me a lot of questions. Do you mind if I ask you one?

Q. Not a bit.—A. How do you think Canada is going to get out of the position she has been in, and is in, by going on as she has been going on?

Q. No, I do not think so, for a minute.—A. No.

Q. What I am enquiring into is, whether your proposal will get us out of it or not?—A. I do not know at all. I am only making my proposal, and I hope you will thresh it out on the floor of the House.

*By Mr. Kennedy (Peace River):*

Q. Mr. Hoadley, you compared two years. You showed the consumption of beef was lower one year than the other?—A. Yes.

Q. Was the lower consumption during a year when beef was at a high price or at a low price?—A. It was when it was at a low price.

The CHAIRMAN: And pork also was low that year.

The WITNESS: Yes. The yearly weighted average price, that is the one you wanted, is it.

*By Mr. Kennedy (Peace River):*

Q. Yes?—A. The price in 1928 was 7·55; then in 1929, 7·35; 6·35; 4·30; and 3·60.

Q. Did the beef consumption increase year by year when the price was falling?—A. It decreased.

Q. Decreased when prices were falling?—A. Yes.

*By Mr. Factor:*

Q. What about the retail price, have you any figures there?—A. No, I have not.

*By Mr. Sommerville:*

Q. In those same years, there was a steady drop in the price of pork as well, was there not?—A. Yes. I did not load the submission I have made with these details. I thought, to be merciful to you, that I should not go into too much detail, because you have got it before you; it has been given to you by other people, I think, has it not, Mr. Chairman?

*By Mr. Kennedy (Peace River):*

Q. You have a pretty good knowledge of the western livestock situation, Mr. Hoadley. How long do you think the farmers can continue raising beef cattle at anything near the present prices?—A. I would not like to say how long



they can continue because that all depends on how long the banks will continue to back them. I know one rancher—I had better not say how much or perhaps he might be identified—that has hundreds of thousands of dollars borrowed from the bank. The bank is practically running his outfit, and it is one of the biggest and best in Canada.

*By Mr. Boulanger:*

Q. Mr. Hoadley, what proportion of the consumption would represent the imports of chilled and frozen meat that you spoke of this morning?—A. I cannot give you that. It is a matter of deduction, that is all.

Q. Is it a large or small proportion?—A. A small proportion.

Q. And those imports really come from the Argentine?—A. Oh no. I think some comes from the States.

The CHAIRMAN: The canned beef, the fray bentos, comes from the Argentine. Then the balance, the barrelled pork, and I think some of the others, come from the United States, some from Australia and New Zealand.

Mr. BOULANGER: But it does not all come from Australia and New Zealand.

The CHAIRMAN: Frozen lamb and mutton comes from New Zealand and Australia.

The WITNESS: Fray bentos Brand is really an Argentine product produced by an organization mainly financed in Chicago.

*By Mr. Kennedy (Peace River):*

Q. You were talking this morning about the space between the producer and the consumer. Have you any evidence at all that some people within that area have been making good profits or large profits, or have they, as far as you know, taken their share of the losses in the last few years when prices were low?—A. Well, I have given you all I had, Mr. Kennedy. I will have to refer to it again—I think I can give you the same information from a copy which I have here—but I dealt with the packers' profit this morning.

Q. Yes, you did in a very general way; have you anything more specific?—A. Well, I think I gave you the particulars of the 1932 situation as contained in their own statement, that the profit was—yes, I have it here—that according to the figures contained in the 1932 Department of Trade and Commerce publications of slaughter and meat packing, published in 1933, the figures of all the packers of Canada during the year 1932; they paid \$66,000,000 for the animals slaughtered, and the material used in their plants; they expended \$10,000,000 on salaries and wages, and the factory value of the products sold that year were \$91,000,000; and the gross return was therefore \$15,000,000. The capital invested in the packing industry in 1932 was \$53,000,000, and allowing for the value of buildings and machinery, they reported earnings of \$15,000,000 on a capital investment of \$53,000,000, which gives a gross return of 35 per cent.

I have here and I wish to add just at this point, if I may, a report from the *Financial Post* which is as follows:—

#### CANADA PACKERS 1933 EARNINGS AT 1929 LEVEL

##### *Entirely Clearly Away Preferred Arrears of \$10.50 Per Share*

News stories published in these columns from time to time have indicated that Canada Packers by reason of the big jump in exports of bacon and pork products to the United Kingdom was likely to make a large increase in net profits over \$607,672 as shown in the year ended March 31, 1933, after all expenses, bond interest, depreciation and pro-

vision for taxation. Statements made at the recent meeting of representatives of the Canada Packers Company indicate that the net profits for year ended March 31, 1934, would probably be even with that made in the year ended March 27, 1930, and March 27, 1929, when more than \$1,500,000 was shown. The reason for the recovery, of course, is the stability in prices during 1933 as compared with the two previous years. Large write-downs of inventory have not been necessary and the export business, even though at a low margin, has been sufficiently voluminous to boost the company's profits.

#### *Cleared Off Arrears*

Expectation of a better situation was also stimulated because the company began last year to pay off the arrears of \$10.50 a share of surplus dividends. Regular dividends were resumed in 1929 but it was not until the fiscal year ended March 31, 1933, that the company tackled the problem of getting rid of arrears. During the calendar year 1933, it paid \$739,004 in preference dividends, of which only \$422,345 represented current payments. In the first quarter of 1934 the company continued this policy and paid \$211,172.50 in preferred dividends, only one-half of this being current. The payment of \$3.50 on arrears on April 2, 1934, entirely cleared away arrears and now it is plain sailing.

#### *Could Earn \$5 on Common*

Similar earnings in 1934 of \$1,500,000, with arrears cleared off, would leave an amount equivalent to about \$5 a share on the 200,000 shares of no par value common stock outstanding. During 1933 it continued to reduce the Wm. Davies Company bonds from the \$1,500,000 shown at the end of the preceding year and Harris Abattoir bonds to less than the \$3,390,900 shown a year ago. There is also provided a sinking fund for the preference stock.

#### *By Mr. Sommerville:*

Q. And that contrasts with the period which you show was the lowest price paid in a decade for cattle to farmers in Canada?—A. That is the idea, \$2.66 per hundred.

#### *By Mr. Young:*

Q. Have you any information as to how much of these profits were made out of cattle?—A. I have not.

Q. Then there is the problem of disposing of the exportable surplus; what plan have you in mind for taking care of our surplus over the domestic requirements. We find there is something like 2 per cent over our domestic requirements of cattle. How do you propose to dispose of them?—A. As I said this morning, there are various plans: one possibility, of course, would be under the Patterson system which takes a contribution from the bulk and creates a fund which allows you to dump if you like outside your surplus of Canada. It has been done for years in connection with butter under the Patterson in Australia.

Q. Are they satisfied with it over there?—A. They are very satisfied with it over there. Of course, I do not object to answering this Mr. Young, but after all every one of these things are matters to be explored by the committee. Humble individuals like myself cannot be expected to come here with solutions to these problems, when it takes all the brains of the House of Commons to try and do it.

Q. We are trying to get your view?—A. Well, it is a compliment I appreciate.

*By Mr. Sommerville:*

Q. I was just going to ask you to give us your summary?—A.

#### SUMMARY

The recommendations advanced in their brief are:—

1. That a permanent National Live Stock Marketing Board be created at the earliest possible moment, upon which the livestock producers will be fully represented and in which will be vested wide powers to continuously investigate all phases of livestock production, transportation and marketing, to correct injustices as they may arise and to impose penalties for contraventions of its rulings.
2. That the work of this Committee be continued to permit a full presentation of the view of Canadian livestock producers on the problems of the day and their solutions.
3. That a sub-Committee of this Committee, or a similar body be established to assist in this further investigation if deemed necessary.

To effect stability in livestock prices it is recommended:—

1. That a full inquiry be immediately conducted into all angles of the present livestock marketing system, to include the parts played by packers, stockyards companies and commission agencies, and the need and value of custom slaughtering and the value and practicability of the auction selling method, and
2. That the Live Stock and Live Stock Products Act be so amended as to require the weighing and issuing of scale tickets for all livestock purchased by packers and the inclusion of these purchases in market reports.

With the aim of lowering transportation and marketing costs the following recommendations are made:—

1. That a general reduction be made in freight rates on live animals moving to markets and to seaboard for export.
2. That freight rates be reduced on coarse grains for domestic use as livestock feed.
3. That the financial aid given by the Department of Trade and Commerce in the ocean shipping of export cattle last year be again extended in 1934.
4. That an all-inclusive rate on cattle for export to Great Britain be established from point of origin to final destination in Britain.

In order that markets for Canadian livestock and livestock products may be widened it is recommended:—

1. That vigorous action be taken to secure unrestricted entry of Canadian cattle into Great Britain.
2. That Government inspection of cattle intended for export to Britain be immediately established to insure that only cattle of the type and quality desired by that market be shipped.
3. That complete restriction be placed upon the importation of foreign meats and meat products into Canada.
4. That an aggressive campaign of Education be undertaken with the aim of popularizing meats among Canadian consumers.
5. That a grade be established for the lower quality of beef and that a distinctive mark be applied to this lower quality and it may be recognized by the consumer.



*By Mr. Senn:*

Q. Might I ask you one more question about the powers you would confer upon the marketing board; would you recommend that they have control of production as well as marketing?—A. No, I would not. I think that in regard to production that we in Canada have gone a tremendously long way in connection with it. I believe that without taking control of production—but rather by influencing proper and desirable production, we could accomplish the purpose by not allowing the export of anything but high quality products which the markets abroad demand. I think that would have the desired effect.

Q. That would be indirect control?—A. Indirect control.

Q. But not direct?—A. Yes. You see, in Denmark, as I said before, and as I suppose you are all aware, they have a “lure” brand—that is what they call it—that is a government brand that is placed on all exports of butter and hog products; nothing is allowed out of Denmark without that brand.

Q. Of course, they have control of production in Denmark?—A. I know that, but my point is this: I think the first step that might be taken in Canada to control exports would be the insistence upon quality in production, and if the board made the export outlet available, only for high class products, it would automatically force the farmer to aim at a higher quality of production. It seems to me that that would be a great deal better than trying to interfere. I do not think it is desirable, that the government should go to extremes at the moment in administering this Act; if later they are compelled to in the interest of the producers, then I think they should be in a position to do so.

*By Mr. Sommerville:*

Q. Might I ask, along the lines of the question Mr. Young asked about the two per cent surplus of cattle available for export; what suggestion have you to make, if any, or what consideration have you given to the question of removing that two per cent from the bottom instead of the top, taking off the poorer grades?—A. That is a point I've tried to emphasize earlier; that if you eliminate all the low-class stuff as export, you would automatically heal that trouble at once.

Q. But you would remove that two per cent surplus by shipping the better grades of cattle for export?—A. Yes.

Q. Have you thought of the removal of two per cent of your supply by doing away with the poorer grades, the canners and cutters.

The CHAIRMAN: As fresh meat.

The WITNESS: Of course, I have thought of that question, and it does seem to me that if we could get a market for possibly a certain amount of by-products and use a certain amount of material in that way.

Q. In the form of by-products?—A. Yes.

*By the Chairman:*

Q. In other words, the canners and cutters; you understand the term?—A. They should be eliminated from the beef problem.

Q. As a competitive factor in the Fresh Meat problem?—A. Exactly, that is the point.

*By Mr. Sommerville:*

Q. And used in by-products—feed and fertilizer?—A. Yes, in that and other ways.

*By Mr. Young:*

Q. I understand that at Edmonton you have competition from the Coast buyers as well as from the Eastern buyers?—A. Yes.

Q. And that competition sometimes makes a substantial difference in the market at Edmonton and in Alberta over the rest of Canada?—A. Yes, you see that by the price.

*By Mr. Sommerville:*

Q. I observe that to-day the Canada Packers are paying an f.o.b. price at Edmonton of \$7.05 per hundred?—A. Yes.

Q. And at Toronto they are paying \$7.95 f.o.b?—A. Yes.

Q. That is only a 70 cent differential, whereas the freight is \$1.14?—A. Quite so.

Q. In other words they are?—A. 44 cents off.

Q. They are paying 44 cents less at Toronto than in Alberta to-day?—A. Yes.

Q. And that doubtless is due to the competition of the coast buyers?—A. Yes, to the competition of the coast buyers. Of course, you see Burns has quite a large plant at Vancouver; he buys for that market to quite a degree. Gaynor's is another packing company. They do a great business. Practically all their business outside of the province is to the west, and that gives us competition even between the east and the west for our stock.

Q. On the other hand, they could buy hogs at Toronto at \$7.75 and they are paying \$8.44 to bring them down to Edmonton?—A. Well, in effect.

Q. All of which means that they are not going on the Toronto market to raise the price of hogs there?—A. No.

Q. They are staying off that market and buying elsewhere these quantities?—A. Yes.

Q. And if they went on the Toronto market that would raise the price for all hogs undoubtedly?—A. It should.

Q. It should, relatively through Canada.

*By Mr. Young:*

Q. Do you know anything about the profits of the Edmonton stockyards?—A. No, I do not.

Q. Nothing at all?—A. No, I have not any knowledge.

MR. SOMMERVILLE: We have a statement filed.

*By Mr. Kennedy (Peace River):*

Q. Mr. Hoadley, we had evidence here from some of the Alberta stockyards to the effect that the packers in buying go out to the ranch and make an offer for a calf, and if the rancher does not take it and ships the stock to the stockyard the packers would see that they did not offer any more for them in their yards. Do you know if this is a general complaint?—A. Well, I could not say, Mr. Kennedy, whether it is so, but I can say definitely that it is a statement that is fairly generally made.

Q. Does not that indicate that the packers are simply dominating the live-stock business?—A. Yes, of course, my opinion about that is that there is not a question in the world about it; I do not think there is a question.

Q. If that is so, there is no organization among the producers that is capable of coping with it?—A. Of resisting it; there is none.

Q. Is not that one of the best arguments for some additional control of marketing to protect the producers?—A. Well, in my opinion, it is the idea. I asked the question if we are content to leave things as they are. Well, if you say that we cannot make them any better, then it is a sad confession; if we say that conditions are all right as they are, then it is a matter of absolute indifference or a matter of lack of knowledge—one or the other.

Q. Is there any hope in your mind, or any possibility of the present co-operative organizations or similar organizations working out a solution without assistance from the Dominion or Provincial governments?—A. No. I think there is only a minimum of hope in this connection. I think there are certain businesses that can use the co-operative as an implement to help, and there are certain other businesses you cannot. For instance, if you desire me to give you my thought, take the dairy business. We have a peculiar condition in our province where the co-operative dairies are flourishing to-day as they never flourished before—in a time of depression; but as the packer companies are recovering they are coming into the picture with their creameries again and they are paying a premium away beyond what is justified by the price of butter, but they are not paying it out of what they make out of butter. It must be from some other source of revenue within the same business.

The CHAIRMAN: They are attracting cream to their creameries away from the co-operatives.

The WITNESS: For instance, I think I had seventeen letters from little district creameries that were just supported by the people around, asking for something to be done because they were on the verge of bankruptcy. They take in cream, process it, and make butter and the basis that they can pay for the butter fat is the price of the butter. The minute you force them to pay more than that, or they cannot get cream at that price, they are out of business.

*By Mr. Kennedy (Peace River):*

Q. Have you made any investigation of those complaints and the prices?—A. Yes. There is no question about it: with Burns paying 32 cents for butter fat, Swifts paying 33 cents, and butter making 27½ cents in Montreal, it tells you its own story.

*By the Chairman:*

Q. How much butter will a pound of butter fat make; is it more than a pound of butter?—A. Yes, just about an eighth—or correctly, 1.22 pounds of butter from 1 pound of butter fat.

Q. It makes about one and an eighth pound of butter?—A. Yes, approximately.

Q. It really amounts to about cost?—A. Yes, about cost; but you see there you are getting absolutely no relationship between the two.

*By Mr. Sommerville:*

Q. And that sort of thing can be carried on by the large buyer, but by the small creamery it is impossible?—A. Well, the big creamery even—you see the co-operative which is based wholly on processing one product has one source of revenue, and if you break the relationship between the raw product that makes the finished product, the butter, you immediately destroy the safety of the enterprise.

The CHAIRMAN: Quite so.

The WITNESS: But if you have another source of revenue in some business, the profits of which can be diverted, then you can give the extra price, and after a while your competitors are out of business. There is no use minimizing that.

The CHAIRMAN: Would you suggest that that was being done deliberately?

The WITNESS: Oh, I would not say that. If a man walked up to me and knocked me down I would not say he did it deliberately, but I would say he was doing it effectively.

Mr. YOUNG: Are you sure you are right on that figure that a pound of butter fat makes one pound and an eighth of butter?



The WITNESS: No, it is the other way around.

The CHAIRMAN: A pound of butter fat makes one and an eighth pounds of butter.

The WITNESS: No, it is the other way about.

Mr. YOUNG: You mean it takes a pound and an eighth of butter fat to make a pound of butter?

The CHAIRMAN: A pound of butter fat will make a pound and an eighth of butter.

The WITNESS: Yes, that is it as I first stated.

Mr. YOUNG: They told us in the department that a pound of butter fat will make one and one-fifth pound of butter.

The WITNESS: Yes. Well, of course, you are getting into the butter business.

The CHAIRMAN: There may be a little more water.

The WITNESS: Yes, exactly.

*By Mr. Kennedy (Peace River):*

Q. With regard to these small creameries, have they been operating over a period of years?—A. Oh, yes. Some of them have been operating ten or twelve years.

Q. And they are efficient?—A. Yes, they are efficient.

Q. Is this policy on the part of packing companies that have creameries something new?—A. Well, it is not new; it is revived.

Q. When was it revived?—A. Within the last six months; and we have had a regular war on in the province, a destructive war too. Of course, it is a very difficult situation to deal with, because whether it is justified or not the producer is getting a big price.

The CHAIRMAN: Temporarily.

The WITNESS: Yes.

The CHAIRMAN: Well, Thank you, Mr. Hoadley.

The WITNESS: Thank you very much. It is very kind of you to listen to me so long.

Mr. FACTOR: We enjoyed your homely philosophy, sir.

Witness discharged.

The CHAIRMAN: We will now go back to tobacco. Call Mr. Roch.

ROSAIRE ROCH, called and sworn.

*By Mr. Sommerville:*

Q. Mr. Roch, what is your position in the tobacco business?—A. I am manager of a co-operative of cigar tobacco and pipe tobacco in the northern tobacco section.

Q. In the province of Quebec?—A. Yes, sir, L'Achigan.

Q. Where is it located?—A. St. Jacques.

Q. That is a village in the county of Montcalm?—A. Yes.

Q. And how many members have you in your co-operative?—A. 213.

Q. And what quantity do you handle?—A. An average of 1,000,000 pounds per year, but since two years we have had a decrease in the production and we handle from 700,000 to 800,000 pounds.

The CHAIRMAN: For the last two years?

The WITNESS: Yes.

*By Mr. Sommerville:*

Q. Because of a reduction in production?—A. Yes.

Q. That has been brought about through your own efforts, has it, the reducing of the production?—A. No. I would not say it was brought about by our efforts, but by the low price of the tobacco.

Q. Now, what proportion of your product is cigar leaf?—A. About 50-50.

Q. And the other is pipe leaf?—A. Yes, pipe smoke.

The CHAIRMAN: Is it Burley leaf?

The WITNESS: No.

*By Mr. Sommerville:*

Q. Do you grow Burley?—A. No, not at all. Our pipe tobacco is different from the Burley of Ontario.

Q. Now, what has been the history of the prices that you have obtained for your product since 1929?—A. In 1929, which is considered the top price and which we did not touch since that time, the price of cigar leaf was about 15 cents a pound.

Q. Cigar leaf tobacco was 15 cents a pound in 1929?—A. In 1929, green weight.

Q. And what is the price of it to-day?—A. The price of it to-day is 5 cents a pound.

Q. And has it been going down steadily ever since 1929?—A. Yes, we have got an average price of 5 cents for these last two years.

Q. And what about your heavy pipe tobacco?—A. These heavy pipe tobaccos—in 1929 we had a price of around 12 cents, and now it is 4 cents—I mean for the 1932 and 1933 crops.

Q. Are you selling to the same people that you sold to in 1929?—A. Yes.

Q. And marketing your product to the same manufacturers, practically?—A. Yes. In 1929 this organization did not operate. This organization has operated since three years only.

Q. For the last three years you have been operating, and you are selling to the same people?—A. Yes.

*By Mr. Senn:*

Q. Could I ask you what is your average production per acre?—A. We have an average production in Quebec for cigar leaf of 900 pounds an acre. We could get more than that, but that is the actual production, the average production.

Q. And what about pipe tobacco?—A. For the large types—about the same quantity.

*By Mr. Sommerville:*

Q. Well, then, in Quebec, you do not go in for devoting the entire farm to tobacco growing?—A. No.

Q. I understand that you grow your crop along with other crops?—A. Yes, the dairy industry and hog production.

Q. It is only a part of your farm production?—A. Yes.

Q. Instead of being a specialized or exclusive operation?—A. Yes.

Q. Then, what do you say as to the conditions in your industry now?—A. Well, I would not say that we are satisfied with the situation, because we are selling below the cost of production. If we take the official figures from the Dominion Experimental Farm we see that the cost of production for cigar leaf varies from 10 to 12 cents a pound, but it is selling now for 5 cents a pound, so it is not a very pleasant situation.

*By Mr. Factor:*

Q. Whom do you sell your product to?—A. We are selling to some manufacturers in Montreal, and a part of it is going as raw leaf tobacco on to the market.

*By Mr. Sommerville:*

Q. Now, with reference to the product which you sell to the manufacturers—which you formerly sold at 15 cents and now sell at 5 cents—has there been any change in the retail price at which the manufacturers have sold their product in these three years?—A. Well, the tobacco I am selling to the manufacturers, is not what we call five cent tobacco, because it is a finished product.

Q. Finished product?—A. Yes. We are selling to cigar manufacturers what we call filler tobacco and binder; so we are selling it a little high because we have some work to do on it to make it up.

Q. You are giving me the price of the green?—A. Yes, green leaf.

Q. For your co-operative you process that green leaf?—A. Yes.

Q. You sell it to the manufacturer in a processed condition?—A. Processed condition.

Q. For fillers?—A. For fillers.

Q. And binders?—A. And binders.

Q. Can you tell me, from your knowledge of the tobacco industry, if the price of the manufactured product has dropped in the same proportion as the raw leaf?—A. No.

Q. Has it changed at all in the last few years?—A. It did not change at all.

Q. So that wherever the depreciation has gone, you did not get it?—A. No.

Q. What about your production now; how much has that decreased?—

A. Since 1928 we have decreased around 2,000,000 pounds. From 1928 to 1933 the decrease in production was 2,000,000 pounds.

Q. In the whole area?—A. In the whole area.

Q. Of the northern tobacco area?—A. Yes.

Q. Do you know what your production was— —A. About 8,000,000 pounds in 1928.

Q. 8,000,000 pounds?—A. 8,000,000 pounds, but now we are down to 6,000,000 pounds, in round figures.

Q. You say that the cigar leaf goes to the cigar manufacturer. Then what about the heavy pipe tobacco; was that formerly sold to manufacturers?—A. In some years they buy some, but the big manufacturers did not buy any of this kind of stuff these last three years.

Q. They have not bought those last three years?—A. No, nothing bought for the last three years.

Q. Where did you find a market?—A. With local tobacco dealers; but we have a certain pile of it which is unsold now, in the hands of the farmers.

Q. How much would you say is in the hands of the farmers?—A. I could not give an exact figure, but I should say we have a stock in the hands of the farmers of around 3,000,000 pounds.

Q. In the hands of your farmers, your own co-operative?—A. No, in the whole area.

Mr. SENN: That is half the crop.

The WITNESS: Yes.

*By Mr. Sommerville:*

Q. Half of last year's crop?—A. Yes.

Q. Half of last year's crop is still in the hands of the farmers; that is, the heavy pipe tobacco?—A. Both.



Q. I suppose the proportion prevails throughout the district that prevails in your co-operative, about 50-50?—A. The part which is sold now is the best crops of cigar leaf.

*By Mr. Factor:*

Q. What has happened? Has the consumption of the finished article, the cigar, been reduced?—A. Consumption of the cigar has decreased since.

Q. Decreased considerably?—A. Yes.

*By Mr. Young:*

Q. Pipe tobacco also?—A. Well it has certainly decreased, because in 1928 when we had a production of 8,000,000 pounds a year we sold practically every year our whole crop, and now with a low price we have to keep about half of the crop with a loss.

Q. You only produced 6,000,000 pounds?—A. Yes; with less production at a low price.

*By Mr. Sommerville:*

Q. With respect to the heavy pipe tobacco, you say that is sold to local merchants?—A. Yes.

Q. Is that sold in the loose form or is it manufactured by them?—A. It is sold in loose form, what we call bundles.

Q. In bundles?—A. Yes.

Q. Then your increase in sales of that type, I suppose, followed the drop-off in the sales of the manufactured article?—A. Yes.

*By Mr. Kennedy (Peace River):*

Q. Did I get it right, that the price went down and consumption decreased?—A. Yes.

Q. That seems to be turning economic laws upside down?—A. Yes, price went down, production went down and consumption too.

*By Mr. Sommerville:*

Q. Consumption of the variety of tobaccos decreased?—A. Yes.

*By Mr. Young:*

Q. How do you account for that?

*By Mr. Sommerville:*

Q. I thought there was an increase in the use of pipe tobacco when the depression came on and a decrease in the sale of cigarettes?—A. Well, I should not say that there was an increase in pipe smoking, as far as our tobaccos are concerned.

Q. Your pipe tobacco?—A. Perhaps Ontario pipe tobacco has got a chance to get into the market more freely than ours, but if we consider what we have on hand now, and the low price we can get for it as well, I should not say that we have an increase in consumption, because we have got half of our crop even at a low price.

*By Mr. Senn:*

Q. Might it not be possible that a corresponding increase in production in some other part of the country is responsible for that?—A. Certainly; we have a surplus of Ontario being shipped in. Burley has been sold in raw leaf, shipped to the Quebec market, and that had quite an effect on our local marketing.

*By Mr. Sommerville:*

Q. It has quite an effect upon yours?—A. Yes.

Q. In other words, your heavy pipe tobacco is a very heavy tobacco, is it not?—A. Well—

Q. Heavier than burley?—A. About the same.

Q. Heavier than flue-cured?—A. Heavier than flue-cured.

Q. You say you had an increase in the amount of Ontario burley that came down to compete with your tobacco?—A. Yes.

Q. That has affected the sale by your growers?—A. Yes.

*By Mr. Young:*

Q. Would that account for all the decline in your sales?—A. Yes.

Q. There has not been any falling off in consumption then?—A. In the consumption?

Q. Yes.—A. Yes, in every line of our tobaccos, cigar is a product of our tobacco. Cigar consumption has decreased in the last three or four years, and pipe consumption has decreased too.

Q. Can you tell me at what stage in the tobacco the tax goes on?—A. You mean—

Q. Excise tax?—A. If we have the excise tax on the leaf it would—if it were to our advantage?

Q. At which stage in the process—

*By Mr. Sommerville:*

Q. At what stage in the process of converting the leaf into the manufactured product? Perhaps we can get it another way.

(Mr. Boulanger puts the question to the witness in French).

—A. When it is taken out from the bonded warehouse.

Q. In other words, if the loose tobacco that you sell is loose leaf, there is no excise tax on it.—A. No excise tax on it.

Q. And that is sold to the public freely without excise tax?—A. Without any tax.

Q. Because it is not manufactured, then; it is dry?—A. Yes.

Q. As soon as it is manufactured and taken out of the bonded warehouse, then the tax goes on?—A. Yes.

Q. And it has to go through a process of manufacture before the tax applies, as at present?—A. No; the tax is put on the tobacco after it is processed and when it is ready to go to the consumer.

Q. That is what I understand. It has to be processed before the tax goes on?—A. Yes.

Q. In the case of dry leaf, or the leaf that you refer to, as sold as loose leaf, it is not processed and therefore there is no tax applicable?—A. No.

Q. And no tax payable on it?—A. No tax.

MR. YOUNG: And the consumption of that kind has also gone down?

THE WITNESS: Yes.

*By Mr. Sommerville:*

Q. What is the effect of this raw leaf trade in bundles, upon the trade?—A. Well, it is my opinion that this dry, raw leaf trade, is detrimental to everybody; it is detrimental to the producer, detrimental to the consumer, and detrimental to our manufacturers.

Q. Why to the producer?—A. Well, this raw leaf tobacco which is sold in raw leaf shape is the scrap of our crop, the cheap part of our crop which is sold as it is to the consumer. The reputation of our Quebec tobacco is going

around based on that poor cheap tobacco. If we want to keep the reputation of our Quebec tobacco, I suppose you would have to put a better product on the market.

Q. That is to say, the sale of this poorer quality of your raw leaf?—A. Yes.

Q. Uncured?—A. Uncured.

Q. Undried?—A. Undried.

Q. Has the effect of giving a reputation to the rest of the Quebec tobacco that is bad?—A. Bad.

Q. And harmful, and therefore it is bad for the producer?—A. Yes.

Q. Why is it for the consumer?—A. The consumer is at a point where he says there is no possible chance to secure any good tobacco in Quebec. Well, practically he is never satisfied; he cannot be satisfied when he buys a pound of this poor tobacco, and so he says there is no possibility for the farmers in Quebec of getting any more good tobacco.

*By Mr. Factor:*

Q. What does he pay for a pound of this tobacco?—A. There is no fixed price because this trade is made by thousands and thousands of people, pedlars of all kinds, farmers themselves, and everybody who is practically out of work in Montreal is in the tobacco business. Is not that right?

Mr. YOUNG: Is that the twisted stuff you see in the shop windows?

The WITNESS: No, they do not twist it; they do not take the trouble.

*By Mr. Sommerville:*

Q. It is pure leaf with a band around it?—A. And the price varies very much; you will see in Montreal that the price varies. The price varies along a street from 7 cents retail price to 30 cents and 50 cents a pound. So you get an idea of the price the farmer is getting for the tobacco.

*By Mr. Young:*

Q. Is there that much difference in the quality to warrant the price to range from 7 cents to 50 cents?—A. At the present time, no.

*By Mr. Sommerville:*

Q. There is a difference in the quality of the salesmanship?—A. The consumer doesn't know very much about the quality of the tobacco. He buys it by the colour, and that is why the Ontario tobacco has a chance to get in our market, because the consumer in a general way prefers a light yellow tobacco. And if he sees a bundle of this yellowish coloured tobacco that we call in Quebec "déchets," trash, or poor tobacco, you can ask him 25 cents for the poor tobacco, and you get a bundle of good aromatic tobacco which is a little darker in colour, and ask him 10 cents lower than the poor grade, and he will take the light coloured for poor grade at a higher price. It depends on the ability of the salesman.

Q. From your experience in the trade in the last few years, can you give the committee some suggestions or recommendations as to how things can be improved for the producer?—A. Well, I think in my opinion it would certainly be a good thing if this raw leaf trade would disappear completely.

The CHAIRMAN: It would be pretty difficult, would it not?

The WITNESS: Or put a tax, an equal tax on the raw leaf, as there is on manufactured products, manufactured tobacco.

*By Mr. Baribeau:*

Q. What do you think of the consumer?—A. Well as I said a few minutes ago, the smoker is not satisfied with the tobacco he is buying at the present



time. It is pretty hard for him to buy a good pipe of tobacco, as it is found on the market at the present time. Suppose you take some tobacco, and you process it through a manufacturer, and you put it in small packages in a manufactured form. The quality of this tobacco could be increased, we will say, 100 per cent, if it passes through the channel of the manufacturer; and the consumer will have a better product and will be more satisfied with the tobacco; that is, with the Quebec tobacco.

Mr. BOULANGER: Is it not a fact that the Quebec farmers have been buying tobacco in the leaf since the beginning of the world? In Quebec the farmers always buy their tobacco in the leaf. They have always done it.

The CHAIRMAN: In the villages and towns.

Mr. BOULANGER: In the villages and in the country and everywhere, they have always done it.

The WITNESS: Well, there is one thing we must consider too, that when the tobacco leaves the hands of the farmers, it is always in bundles; but there is one thing we must not forget, and that is that when it is in the hands of the consumer, I should say that 75 per cent of this tobacco is cut tobacco. That is, it is sold through a smuggling business.

*By Mr. Boulanger:*

Q. The farmers in Quebec don't smoke prepared tobacco; they buy their leaf and they cut the tobacco themselves?—A. And they buy it cut, without any tax on it.

Q. A very small quantity?—A. I would say that it is a good part of the business of the place where I am living now.

*By Mr. Sommerville:*

Q. That is to say, somebody is buying this raw leaf?—A. Yes.

Q. That is ordinarily sold as raw leaf?—A. Yes, as raw leaf.

Q. And is selling it as cut leaf?—A. Yes.

Q. You say there is a good deal of that going on?—A. Yes.

*By Mr. Boulanger:*

Q. You don't mean to say that all the tobacco which is sold in the leaf is bad tobacco, remnants, "déchets"?—A. No.

Mr. BARIBEAU: You don't mean that the merchants don't know when they are buying good tobacco?

Mr. BOULANGER: You don't mean the Quebec farmers don't know good tobacco?

The WITNESS: I will give you an illustration: We have some tobacco in our warehouse—and I would say if you want any good tobacco, then come to the co-operative to get some. But I sold thousands and thousands of pounds of poor tobacco for the raw leaf trade, and there is no market for good, aromatic tobacco at the present time. I have got some good tobacco in my warehouse at the present time, and there is no possibility to sell it.

*By Mr. Sommerville:*

Q. Is that because of the competition between these peddlers?—A. Yes.

Q. And they are buying for price and not for quality?—A. Not for quality.

Q. That is the reason for the condition which you describe?—A. Yes.

Q. That is, your inability to sell aromatic tobacco?—A. Yes.

*By Mr. Factor:*

Q. Where do the peddlers get it from?—A. From the farmers themselves.

Q. From the growers?—A. The peddler buys about 500 pounds. He has an old Ford, and buys 500 pounds.

Q. To whom would the farmers sell their tobacco if the peddlers would not buy it?—A. Well, to the local tobacco dealers or manufacturers; some manufacturers buy “déchets” too.

*By Mr. Boulanger:*

Q. What process do you put the tobacco through in your plant?—A. We handle the cigar leaf. We ferment it. We grade it. We ferment it, and we keep it in stock for one year or more, and following that we sell it to the cigar manufacturers.

Q. You sell it to the pipe tobacco manufacturers also?—A. Cigar and pipe tobacco manufacturers.

Q. You don't sell any to peddlers?—A. No, sir. The poor grades of our tobacco that are not worth handling are sold to tobacco dealers, local tobacco dealers.

Q. When a peddler goes to a grower, does he not buy his whole crop?—A. Not very often.

Q. But you have seen these buyers go to the growers and they buy Mr. so and so's crop and go to his neighbour and buy that man's crop, the whole crop?—A. He might buy the whole crop.

Q. Good, medium and bad altogether?—A. Yes, but he takes 200 pounds at a time, and he handles this crop. He will take the whole summer to handle this crop. It is not the same thing as a local tobacco dealer, whom I would not call a peddler, because the tobacco dealer has got to compete with the peddler.

Q. Besides the peddler of tobacco, there is the wholesale dealer of raw leaf tobacco?—A. Yes.

Q. He is the one who buys the whole crop at a time?—A. He is the man who buys the whole crop. He has got to compete with the peddler, and he has got to buy the cheapest part of our tobacco product. As I told you a few minutes ago, there is no market for good tobacco as raw leaf at the present time.

*By Mr. Sommerville:*

Q. Who do you say as to any suggestion other than a tax, by way of improvement of that condition?—A. Well, suppose that we have got a tax; we would not have any more raw leaf there. It would be certainly easier to get co-operation, closer co-operation with the tobacco manufacturer, tobacco dealer, and organize our product. That is one thing we don't have, that Ontario has. That does not mean they are very satisfied with the price, but their production is organized. They grow what the manufacturer wants; but at the present time in Quebec we don't know what the manufacturer wants. One year, in Quebec, a farmer will grow a certain variety and the next year he will grow another variety, and he does not know if he is going to find a buyer for his future crop. So I would say it would be easier to have closer co-operation between manufacturer and producer, to probably the benefit of both.

Q. If you don't have this competition in the raw leaf form?—A. Yes.

*By the Chairman:*

Q. The tobacco branch of the Department of Agriculture has given valuable assistance to tobacco growers. Do your people accept and follow their advice in the production of tobacco?—A. Well, I know something about it, because I worked for the tobacco division for eight years as extension man, and I could not say that there is much improvement in the tobacco culture methods now. But there is another factor entering here which is probably the low price. When



the farmer has got a good return out of his tobacco, he can buy some chemical fertilizers. He can take a little more care of it, and he gets, anyway, a better crop, a better product to sell. Within these last three years they have been more careless.

*By Mr. Sommerville:*

Q. Because of the low price that has been received?—A. Yes.

Q. He is not using the chemical fertilizers in the same way he was doing before?—A. No, because he does not get the money.

Q. Not to the same extent?—A. No.

Q. He does not get the money for his crop to justify it?—A. No.

Q. Can you give us any further recommendation? You say, first of all, that you would do away with this illicit trade,—not illicit trade, but this trade in raw leaf, and that would enable closer co-operation between grower, producer and the manufacturer, through the associations?—A. Yes.

Q. You could in that manner control production?—A. Control production.

Q. And also improve the varieties and qualities?—A. Yes.

Q. As has been experienced in Ontario?—A. Yes.

Q. What is your next suggestion?—A. As far as cigar production is concerned, two years ago—I guess it was in the fall of 1932,—we found out that the consumption of cigarettes decreased; the excise duty which was \$6 a thousand was decreased to \$4 a thousand for cigarettes. That was supposed to be a benefit, indirectly, to the Ontario tobacco growers. There is a duty of \$3 per thousand on cigars that the manufacturer has got to pay. I think it takes two pounds of imported leaf to wrap these cigars, and on a thousand it is \$3.50.

Q. \$3.50 for a thousand?—A. Yes, for a thousand cigars; and I think it would be good policy to decrease probably this actual duty, this excise duty that there is on cigars, and probably it would be a benefit, to increase the consumption of cigars.

Q. There has been a reduction in the price of filler and binder from 15 cents to 5 cents?—A. Yes.

Q. And there has not been any reduction in the price?—A. No, there is no reduction in the price of cigars.

Q. What assurance have you that reduction of the duty would increase the consumption?—A. Probably the manufacturer, if he does not want to make too large a benefit, will give the benefit to the growers, if there is closer co-operation.

MR. SOMMERVILLE: That word "if" in there is a rather important one.

MR. FACTOR: A very faint hope.

THE WITNESS: I want to draw attention to the smuggling that there is in cigars too, in the province of Quebec.

*By Mr. Sommerville:*

Q. There is smuggling in the province of Quebec?—A. Yes, of cigars.

Q. After all, that is a very small portion of the whole trade in Quebec, is it not?—A. I should say it begins to be very important.

*By Mr. Young:*

Q. Where do they smuggle from, the States?—A. In the province of Quebec, without any duty on cigars.

*By Mr. Sommerville:*

Q. From the United States?—A. No, no. You have tobacco dealers, small tobacco dealers in the towns and cities, who buy raw leaf tobacco. They strip that tobacco and make cigars out of it, and they sell it to the consumer.



*By the Chairman:*

Q. It is an evasion of the excise?—A. Yes, without any duty.

*By Mr. Boulanger:*

Q. Is it done on any great scale?—A. Yes.

Q. And the government doesn't know it?—A. Well, they probably know it. It is the same thing for any other kind.

*By Mr. Sommerville:*

Q. They know it goes on, but the thing is to catch him?—A. Yes, to catch him.

*By Mr. Boulanger:*

Q. To go back to your proposal to do away with the trade in tobacco in the raw leaf form, in order to do that, you would have to change the smoking habits of a whole people, would you not?—A. Well, I don't think so. As I told you, the actual consumer is not very interested in buying his tobacco in raw leaf form.

Q. They have been doing it all the time for hundreds of years, and you want them to change that habit and go in for smoking pipe tobacco or manufactured tobacco?—A. But you have got to change with the times.

Q. Providing the change is good?—A. Well, take a young man; we are all practically tobacco men here, some are smoking pipes, some are smoking cigarettes, but the young people nowadays are not interested at all in buying the tobacco in raw leaf form because they have not got the proper equipment with which to cut the tobacco. What they are interested in is to get this tobacco ready, and in good shape, and if they cannot buy it from the manufacturer direct, with the proper duty on it, then they will try to get this tobacco in some smuggling place specializing in that.

Q. Supposing you succeed in doing away with the raw leaf tobacco, will that do away with the peddlers in the raw leaf tobacco?—A. No.

Q. Supposing you remove the dealers and the peddlers of raw leaf tobacco, then the grower could sell his tobacco to the manufacturer only?—A. Yes.

Q. The growers would be doing just as the manufacturers are doing?—A. Well, I am pretty sure the tobacco dealer would handle the tobacco just the same.

Q. Don't you think, that if you have more competition you have a chance of getting a better price for your product?—A. As I said a few minutes ago, we have had more buyers in the last three years than ever before, and the price is down as low as 4 cents a pound.

Q. Another thing, if you market prepared tobacco they would have to pay a whole lot for it?—A. They would have to pay more than they pay now, but it is just as the gentleman who was here before said, that one goes with the other. Supposing the whole of the crop were manufactured, there would be more labour employed and consequently more wages, and then they could buy the manufactured product.

Q. Very few farmers have got the money to pay for the manufactured tobacco?—A. What are they doing now, they are smoking cigarettes.

Q. Very few farmers do?—A. I know farmers who come and deliver tobacco to my warehouse, and they are smoking cigarettes.

Q. They must be village dudes?—A. They are smoking cigars and they are smoking cigarettes. We are the only country in which tobacco is sold in raw leaf shape. Take the United States, there is not one bit of tobacco sold in raw leaf shape.

Q. We should not imitate what the Americans do?—A. That is not necessary, but we can profit by their experience. Our production has been as high

as 10,000,000 pounds in Quebec, a little more than that. We have always continued to sell our product as raw material. Ontario started to grow tobacco twenty-five years after Quebec; we had more production than they had when they started, but in 1933 they had something like 32,000,000 pounds and we only had 6,000,000 pounds. They are not interested in selling their production in raw leaf shape.

Witness discharged.

PHILLIP BLAIS, sworn.

*By Mr. Sommerville:*

Q. Mr. Blais, you are the manager of the co-operative at Ste Cesaire?—

A. Yes, sir.

Q. That is for the Yamaska Valley Tobacco growers?—A. Yes, sir.

Q. That is the southern area of Quebec?—A. Yes, sir.

Q. And how many members have you?—A. Around 325.

Q. And what is the extent of your crop?—A. Our peak production was 1,250,000 pounds. It is down to about 900,000 to a million now.

Q. Yes, and where do you dispose of your product?—A. Through the cigar manufacturers only.

Q. Through the cigar manufacturers only?—A. Yes.

Q. And I understand that about 80 per cent of your product goes to one manufacturer only?—A. Yes, sir.

Q. That is the General Cigar Company?—A. Yes, sir.

Q. Of Montreal?—A. Yes, sir.

Q. It is one of the Imperial subsidiaries. Now, what do you say as to the prices that you have been obtaining since 1928 or 1929?—A. I have got a list here of the advances made to farmers on their crops for the last twenty years or so, but we will not go as far back as that.

*By the Chairman:*

Q. Is the list complete on your sheet?—A. Yes, sir.

Q. You might hand the list in as it is and just give us the last five or six years.

*By Mr. Sommerville:*

Q. Give us the prices that you obtained for your tobacco in 1928?—A. You mean the price we obtained from the manufacturers?

Q. Yes. Do you process the tobacco?—A. We process every pound that we produce.

Q. That is, you take it in from your farmers and you process it?—A. Yes, sir.

Q. And then you deliver it to the cigar people in that form?—A. Yes, sir.

Q. And I understand that, after processing, it is ready for use, or you keep it for maturity, do you?—A. We keep it for maturity for about nine or ten months.

Q. And then it is ready for use?—A. Not quite, because the manufacturer, as a rule, likes us to age the tobacco before using it.

Q. You store it for them?—A. We do.

Q. That is, you keep it in store for them from year to year, and they take it as they need it?—A. For an average period of two and a half years.

Q. And then they pay you for storage?—A. They pay us 75 cents a month for storing charges.

Q. Then at all times you know what is going out for consumption?—A. We are always aware of the stock on hand that our customers have.

Q. Yes, and you always know then what the requirements would be of that customer?—A. We try to.

Q. And you, therefore, I suppose, communicate with your members and advise them as to the production that they should have?—A. Every year when we are through packing the crop, which takes place around the latter part of March, the government figures are always available of the amount of production, and we have always tried to inform the farmer of the requirements, and being informed of every years production we can then advise the farmers whether they can increase the crop or reduce it.

Q. And you are assisted, in giving him that information by the fact that you know what is being taken from your stocks by the General Cigar Company?—A. Yes.

*By Mr. Kennedy (Peace River):*

Q. Do the farmers cooperate well with you?—A. The farmers?

Q. Yes.—A. Well, the cooperative which I represent has been in operation for twenty-two years.

*By Mr. Sommerville:*

Q. They cooperate with you in the reduction of the crop?—A. Oh yes. As a rule they have always followed our advice as far as production is concerned. I have a list here.

Q. You have in your hand statistics as to the amount on hand, in the hands of the manufacturer and his needs, and that governs you in framing your production?—A. Indeed.

Q. That is what the Ontario growers were asking for. You are in a preferred position.

Mr. FACTOR: They did not go that far.

Mr. SOMMERVILLE: They are asking for information, which would put them in the same position as Mr. Blais is in.

The WITNESS: Here is a copy of a circular which we sent to the farmer when we paid him an advance on his crop, advising him not to be too enthusiastic on the price received. We have been so pessimistic that it is all right to be a little optimistic.

*By Mr. Sommerville:*

Q. Then what is the price that the farmer has received for his green leaf, how has that gone down?—A. The farmer received for his green leaf, for his 1933 crop, an advance of 11½ cents.

Q. That is on his leaf?—A. On his leaf, just when it is delivered.

*By Mr. Young:*

Q. That is an initial payment. Is there some more coming?—A. Oh yes, always has for the last twenty years. I don't know whether there will be this year.

*By Mr. Boulanger:*

Q. What is the total price that they get?

*By Mr. Factor:*

Q. Start from the year 1930 and give us the relative figures of the total price?—A. In 1930 he got an 11 cent advance, and he got a profit of 9 per cent on top of that. Out of those profits we keep 10 per cent, of the total profits, to go into a reserve fund. In 1930 he got 10½ cents, and he got a return of 8½ per cent.



*By Mr. Sommerville:*

Q. That will give him 12 cents less than which you put away in the reserve fund?—A. Yes, sir.

*By Mr. Young:*

Q. Not 10 per cent on 12 cents?—A. 8 per cent of the 10½ cents.

*By Mr. Sommerville:*

Q. You have a system under which you hold back 10 per cent of the money that goes to a farmer?—A. Yes; sir.

Q. And it goes into a reserve fund?—A. Yes, sir.

Q. And then each succeeding year you give them about 1 per cent of the amount that was in the reserve fund, that is, you divide up the 10 per cent and pay it to him in ten annual instalments?—A. Yes, sir.

Q. That is, they provide you with a certain amount of money that enables you to carry on your business?—A. Yes, sir.

Q. And out of that he gets his dividend, as it is called?—A. Yes, sir.

Q. Now, trying to get at the price of the green leaf, according to the report that comes to us from the tobacco division here, the price of cigar green leaf in 1929, in the Province of Quebec, was 15 cents. In the year 1930 it was 9 cents; in the year 1931 it was 5 cents in the year 1932 it was 4 cents; and in the year 1933 it was 5 cents?—A. Yes, sir.

Q. Now, does that represent about the price of the green leaf, cigar leaf?—A. That represents the price of the green leaf to-day to the northern farmer only.

Q. Yes. Well then, does the price that was paid to the southern farmer correspond to that?—A. The price paid to the southern farmer is double that paid to the northern farmer, because it is cigar leaf exclusively. I have here the details of a farmer's crop on which, I might say, we paid an average price of 11½ cents. That means to say, that out of the whole crop the farmer might have received 20 cents, while another farmer might have only received 4 cents. The first farmer got his price on the quality of the crop. This represents four acres of tobacco on which he delivered six thousand pounds, and on which we paid him a net price of 19½ cents on fifty-two hundred pounds.

Q. Was that on the green leaf?—A. That was on the green leaf as he delivered it.

Q. When?—A. In the latter part of January.

Q. Of this year?—A. Yes, of this year.

Q. Well now, your farmers have not been getting that as an average price?—A. This one has. The tobacco is graded in about fifteen grades, and the more pounds he has of the best grades—

Q. The more money he gets?—A. Yes, the more money he gets. But this particular farmer here happened to have a good crop, and the good grades were larger than in other crops.

Q. Yes. Well now, in that what was the low price?—A. In that price he got as low as 4 cents,—as low as 6 cents and as high as 30 cents.

Q. And on the average it worked out, for that particular farmer, at 19 cents?—A. 19½.

Q. But on the whole, taking 1932, you paid your farmers 8½ cents?—A. Yes, sir.

Q. Plus a profit of 17 per cent?—A. Yes, sir.

Q. 17 per cent and 8½ cents, and that represented about 10 cents a pound?—A. Just about.

Q. For the tobacco?—A. Yes.

Q. And that was after you had processed it sufficiently to sell to the cigar manufacturer?—A. Yes, sir.

Q. So that for the processed article you got 10 cents last year?—A. Yes, sir.

Q. Or 1932 rather?—A. Yes.

Q. And take 1930, he got about 11½ cents?—A. Yes, sir.

Q. In 1929 you got about 13 cents?—A. Yes.

Q. And in 1928 you got 18½?—A. Yes.

Q. And in 1927 you got 22 cents?—A. Yes.

Q. So that the price from 1927 to 1932 dropped from 22 cents to 10 cents; that is, the price your farmers got on their processed tobacco, after you had treated it and had sold it to the General Cigars?—A. Yes.

Q. That is to say, there was a decrease of 50 per cent in that period of time?—A. Yes, due to the fact that for the last three years we have been unfortunate in having some hail storms which damaged the tobacco a great deal and by having these hail storms, the yield of good quality is not as much as if we had not had the damage by these storms.

Q. For the last six years the price has been coming down; do you mean to tell me that the depreciation in the price of your cigar tobacco has been due to hail?—A. The price that we could get from our manufacturers was a little cheaper than that we got five years ago, due to the fact that during the period of prosperity which we have had, we had a production of around 194,000,000 cigars, and in that quantity there was a lot of 10 cent cigars in which our Canadian tobacco found a channel of use in cigars which were selling at from \$60 to \$65 per thousand, while to-day the mode of consumption has changed and I would estimate that 75 per cent of the total cigar production is now in nickel cigars, in which our tobacco is used.

Q. Will you tell me if during the last six years when the price of cigar tobacco has been coming down, if the price of cigars has come down relatively, because there is a decrease of 50 per cent in the price of cigar tobacco?—A. I do not think the nickel cigar has dropped, but the manufacturer, prior to the depression, sold a ten cent cigar in which he used a certain portion of our tobacco, where to-day he is using it in a five cent cigar, and that affects the price we get from the manufacturer.

Q. What suggestion have you to make as to improvements in the industry; is there anything you can suggest to help the producers whom you represent?—A. I do not feel qualified to make any suggestions right here, because it takes all of our time and ability to devote to our own business. We sincerely hope that if we can get a little more prosperity than we are having at the present time, it will be reflected in the price of tobacco, the price at which we sell to the manufacturer.

*By Mr. Young:*

Q. Do you have any trouble with manufacturers; any friction with them over the sale of your product?—A. None at all.

Q. Have they taken it all?

Mr. SOMMERVILLE: They take 80 per cent of the crop.

*By Mr. Young:*

Q. What about the other 20 per cent?—A. It is sold to other cigar manufacturers.

Q. Do you find that the demand has fallen off?—A. Very little.

Q. Well then, how do you account for the drop in the price of your tobacco?  
A. On account of the sale of nickel cigars.

Q. They have kept up the demand then by putting a nickel cigar on the market?

*By Mr. Boulanger:*

Q. There is no pipe tobacco grown in your vicinity?—A. Not in our vicinity.

Q. You do not sell any tobacco to peddlers or raw-leaf tobacco dealers?—

A. No, fortunately.

The CHAIRMAN: Thank you, Mr. Blais.

The witness was discharged.

Mr. M. H. SWATMAN, called and sworn.

*By Mr. Sommerville:*

Q. You are from Leamington?—A. Yes.

Q. That is in the county of Essex?—A. In the county of Essex.

*By Mr. Boulanger:*

Q. South Essex?—A. South Essex.

*By Mr. Sommerville:*

Q. You have been growing tobacco for a good many years in that county?—

A. A great many years, yes.

Q. And I understand that you have grown burley there, that is the centre of the burley industry?—A. Yes.

Q. And burley has been a very large crop in the county of Essex?—A. At one time it was the leading crop.

Q. What acreage have you been growing, Mr. Swatman?—A. I have been growing very little burley in the last fourteen years, I have been producing flue.

Q. You have been producing flue?—A. Yes.

Q. But there is a good deal of burley produced round about you?—A. Yes.

Q. And you have been producing flue; what acreage of this have you been producing?—A. From 12 to 20 acres.

Q. And what do you get from your acreage?—A. Oh, from 900 to 1,000 pounds.

Q. What has been your experience with respect to the prices which have been obtained for flue in your territory?—A. It has gone down materially in the last five years.

Q. Yes, from what?—A. From about 42 cents to an average, I would think, of about 15 cents; I think the high price this year was 22 cents.

Q. You are speaking of tobacco in Essex?—A. Yes.

Q. What has been your own experience in the growing of tobacco in your area; what has been the result of your growing?—A. I have lost \$21,000 in fourteen years.

Q. In the growing of tobacco?—A. In the growing of tobacco.

Q. And how do you account for that, Mr. Swatman?—A. There is a good many ways of accounting for that.

Q. You got a good price for a number of years?—A. Well, when it was the highest price I got nothing. That was when we got into that law-suit with the Macdonald people and I got nothing. It cost about \$26,000 for law costs.

The CHAIRMAN: Somebody benefited by that?

The WITNESS: Yes, Mr. Tilley.

*By Mr. Sommerville:*

Q. Now, what has been your experience with respect to the buying practices which have been adopted in your area?—A. Well, with me the practice has been since 1920 to have a hard job to sell my tobacco.



Q. You have had a hard time to sell your tobacco?—A. Yes, sir.

Q. You have had a good crop?—A. Generally, yes.

Q. Then, why is it that you had a hard time selling your tobacco?—A. Because I took a very active part in organization, to start an association of growers—I was the means of organizing that co-operative company, and I have had a hard job to sell my tobacco since.

Q. That is, you think that because you took an active part in the organization of the growers, you have had a difficult time in selling your tobacco?—A. I think so, yes.

Q. Have you not had offers regularly from the big buyers?—A. No, sir.

Q. And how have you been able to market your crop?—A. Well, one crop I did not market at all, you see; I just sold it out in small lots, and then sold my last year's crop—I put in burley (a year ago rather) and I sold that to a small firm, Mitchells; but last year I put it through the Simcoe Tobacco Growers' Association.

*By the Chairman:*

Q. Did you do better on that?—A. Well, I do not know, Mr. Stevens, until we get our last payments. I was well pleased.

Q. I mean your treatment, from the standpoint of treatment?—A. Oh yes, I did. It was going to say that I was better pleased with my first payment than I thought I would be.

Q. The price was low, of course?—A. Yes.

*By Mr. Sommerville:*

Q. Now, in the meantime when the price has dropped from 40 cents to an average of 15 cents, what do you say as to whether or not that crop can be produced at 15 cents?—A. It cannot be produced for 15 cents.

Q. What do you say is the cost of producing that crop of flue-cured?—A. I say 26 cents.

Q. 26 cents?—A. Yes, sir.

Q. That is, in your own experience—and it has been fourteen years of growing—you give us that figure as being the minimum price at which you can produce it?—A. Yes, sir, I have an itemized statement here showing the cost of production.

Q. And as a result of that you say the price is 26 cents?—A. Yes, sir.

*By the Chairman:*

Q. Have you a statement there?—A. Yes, sir.

Mr. FACTOR: That is the cost of production on a 12-acre crop.

*By Mr. Sommerville:*

Q. Is that your 12 to 20 acre cost?—A. Yes, generally; this is my statement.

Q. Will you just read that statement to the Committee?—A. Yes, if you wish.

The production of tobacco in Canada is much more important than could be imagined at first sight. The tobacco growers of Canada have approximately \$28,500,000 invested in land, buildings, equipment and cash to produce this crop and the interest on this amount would be \$1,225,000.

We produce here in Canada 55,060 acres or 51,300,000 pounds of tobacco, which would require 1,458 car loads to deliver this commodity to the market.

The growers employ 11,500 people a large portion of the year to produce this crop and this does not include those employed in making the commercial fertilizer which requires 22,000 tons at \$30.50 per ton or a total of \$671,000. It takes another 1,250 carloads to deliver this fertilizer to the growers. It has 660,000 tons of manure at \$1.50 per ton or a total of \$990,000. It takes 66,000 bushels of rye for cover crop at 50 cents per bushel a total of \$33,000.

It costs \$495,000 for fuel and \$555,000 for labour to cure this flue-cured tobacco and \$33,000 for twine for priming and \$41,250 for paper and twine for baling this tobacco.

It costs \$295,250 for hogsheads to pack this tobacco in for shipment. It costs \$2,565,000 to sort, grade, process and pack this commodity. In all it takes \$10,795,000 to produce this tobacco crop and prepare it for market and the interest on this amount would be \$600,000.

The Dominion Government of Canada receives a revenue of \$45,397,613 per year from the tobacco business of Canada. So the tobacco growers of Canada should receive some consideration from the Government of Canada. For the tobacco growers of Canada are in a deplorable condition as I have lost \$21,000 in fourteen years. Hundreds of others are as bad for 85 per cent of the tobacco farms in Essex are mortgaged while 95 per cent of the growers in Essex are doing business on borrowed money and all the tobacco farms have depreciated 75 per cent in value in the last ten years.

It costs \$156.50 to produce one acre of air-cured tobacco or 14 cents per pound and it costs \$207.50 per acre to produce flue-cured or 26 cents per pound on an average. The price that the growers are getting will not exceed 6 cents per pound for air-cured or 15 cents per pound for flue-cured. In 1919 this same type and quality of tobacco air-cured brought 42 cents per pound and from 65 to 75 cents per pound right in the growers' barn for flue-cured.

Now, I am \$12 lower on my figures on the production of flue-cured tobacco than the experimental farm of Harrow.

Q. The experimental farm prepared figures which were \$12 higher than yours?—A. Yes.

Q. Their figures were based only on one acre?—A. No; they grew a crop.

Q. Their figures were based upon one complete acre.—A.

The tax on my farm in 1919 was 98 cents per acre but in 1933 it was \$7.10 per acre. So in 1919 it took  $1\frac{1}{4}$  pounds of flue-cured or  $2\frac{1}{4}$  pounds of air-cured tobacco to pay the tax on one acre. But in 1933 it took  $47\frac{1}{4}$  pounds of flue-cured or 236 pounds of air-cured tobacco to pay the tax on this same acre of land.

The Imperial Tobacco Company of Canada controls the tobacco market here in Ontario and they just go ahead and set the price and pay the farmers just what they see fit and the other companies just follow up and pay about the same or less. So there is no opposition in buying. If the growers do not take the first offer, they will have to take less if they can sell at all.

I have the annual report of the Imperial Tobacco Company every year from 1913 up to and including 1933 and in that year they showed net profit of \$5,670,176 or 24 cents per pound.

Now, I believe I should make a little explanation there. On that 24 cents a pound you would be figuring on the direct 1933 crop, which was only 39,400,000; but I think it should be based on the preceding crop.

Q. Because the crop last year was a small crop?—A. Yes; and the other was about 50,000,000 pounds, which would make it about 19 cents per pound; in all fairness to everybody.

Q. The profits represent about 15 cents of a difference?—A. Yes.

Q. Have you applied those profits to flue-cured tobacco?—A. Yes.

*By Mr. Factor:*

Q. Their profits also include other sources of revenue?—A. Well, I will probably get to that.

Q. You are coming to that?—A. Yes.

The whole crop of tobacco in Canada sold for \$5,137,000, so the Imperial Tobacco Company received \$2,533,176 more in net profits than the whole crop brought the growers of Canada. In one of this Company's reports they say that the foregoing figures do not include the Company's proportion of the undivided profits of the associated companies, such as the H. B. Houde, the National Limited of Montreal and the Tuckett Tobacco Company of Hamilton, Ontario. They also say that the Imperial Tobacco Company of Canada has the field pretty much to themselves controlling 90 per cent of the cigarette business and 60 per cent of all the tobacco business of Canada. So if there is not a combine, there is a monopoly which is just as bad or worse. The growers are not getting the cost of production, so a large number of them are just quitting as they cannot finance another crop.

The tobacco growers of the United States in 1923 received for their crop \$180,000,000 but in 1933 they only received \$70,000,000 for their crop. While in 1923 the manufacturers received in net profits \$80,000,000 but in 1933 they received net profits of \$155,000,000 and it is just about the same here in Canada.

At the present time the Tobacco growers of Kentucky are getting 12 cents per pound for their Burley tobacco and here in Ontario the growers are getting only 2 to 3 cents for their Burley, which is just as good quality. The manufacturers are charging the wholesalers from 76 cents to \$1.46 per pound and the retailers are paying from 87 cents to \$1.78 per pound. The consumers are paying from one dollar to two dollars per pound.

Now, I got those figures from a retailer.

Q. For Burley?—A. No all kinds; for the manufactured tobacco.

Q. Burley you say was selling at two cents and 15 cents on the average?—A. Yes.

There is another phase of this tobacco situation that is those shippers or tobacco bootleggers or confidence men going through the country inducing the growers to put their crop through those small plants, thus having those crops processed and packed and sold on a commission without getting any deposit down and those fellows just dump this tobacco on the market and sell it for whatever they can get. That lowers the general price and sometimes the farmer get a small amount out of his crop and sometimes nothing at all and some are billed with a part of the cost of processing. So there should be an investigation into this matter.

Q. That is, with reference to some firms who induce farmers to send their tobacco to them to be processed?—A. Yes, which I think is detrimental to both the grower and manufacturer, because they dump this on the market at a very low figure, whatever they can get, so as to get their processing costs, charges and commission.

Q. That is just a few small firms?—A. Yes.



Q. It represents a small portion?—A. Yes. I think this should be looked into. I know several who are in destitute circumstances because they did not get a dollar out of their tobacco.

The CHAIRMAN: That was brought to our attention yesterday or the day before?

The WITNESS: Yes.

In fact there should be a full and complete investigation into the whole tobacco situation here in Canada.

Statistics should be given showing just how much tobacco there is in the possession of the tobacco manufacturers at the end of every year. So as to show the growers if they should reduce their acreage, because there is no use of producing a supply if you do not create a demand.

The bonding privilege on raw leaf tobacco coming into Canada should be changed from three years to one year only.

The Dumping Duty should be applied on all raw leaf tobacco coming into Canada that has been bought for less than the cost of production.

That 99 per cent draw back of the Tariff Duty on foreign leaf tobacco coming into Canada and being manufactured and shipped on to another country should be discontinued.

I am going to tell you why I advise that. I think it would remove a nuisance, I am going to say, to the government in the first place, and I think it would satisfy a lot of growers. They think that there is a big amount of this tobacco that is being brought in here, processed and manufactured and shipped, and we are losing that duty. Now, I think, in all fairness to the government, to the manufacturers, and to the growers, if that drawback was removed, it would be satisfactory to all.

The Tariff Duty on all foreign raw leaf tobacco coming into Canada should be increased to 65 cents per pound on all air-cured unstemmed or 75 cents per pound on stemmed air-cured tobacco.

On flue-cured tobacco the Tariff Duty should be 85 cents per pound on unstemmed and one dollar on all stemmed tobacco.

Now then, I have an itemized statement of the cost of producing one acre of flue-cured tobacco.

Q. You have given us figures showing 26 cents a pound, and if you give the itemized statement to the reporter, it will be copied into the record. Is there any comment you have to make on the itemized statement, as to how you make it up or anything like that?—A. Well, I have made that up from observations and experience that I have in the last 14 years in producing this tobacco.

Q. You have been interested in growers, operators and co-operators?—A. Yes.

Q. You are familiar with the cost of production?—A. Yes.

Q. Was there something further you had in addition?—A. Well, I have an itemized list showing the amount of profits from the Imperial Tobacco Company for the last 20 years.

Q. You can file that also?—A. I think that has been pretty thoroughly gone over by the other witnesses.

Q. If you just file that with the reporter, he will copy the latter part in. That is your statement to the committee with respect to the situation in Essex?—A. Yes.

Q. And the Burley situation, that is a bad situation too, is it?—A. It is worse than the flue.

Q. Worse than the flue?—A. Yes.

Q. The price has been reduced still further than the price for the flue?—A. Yes.

*By the Chairman:*

Q. Who buys Burley?—A. Well, the Imperial Tobacco Company, I think, buys the biggest amount.

Q. About the same range?—A. Just about the same range as the flue.

*By Mr. Boulanger:*

Q. There is no competition in the field?—A. Not to amount to anything, no.

*By Mr. Sommerville:*

Q. So your experience in the Essex field is apparently similar to that of the Norfolk field, that everyone waits until the Imperial sets the price?—A. Yes.

Q. And then they all come up and buy after the Imperial sets the price?—A. I think the Rock City Tobacco Company set the price one year.

Q. But never again?—A. Never again, no. Now, I might say this 42 cents a pound for Burley and 65 cents a pound for flue-cured tobacco I think was very largely brought around 1918 and 1919 by opposition buyers coming into the field. That was the Macdonald Tobacco Company. They were very heavy buyers, and always bought in the American market until 1918, and then they came into the Canadian market and that caused—

Q. There was real competition then?—A. Yes, there was competition.

Q. You got a harvest?—A. Yes, unfortunately I did not, because that was the year I got into trouble.

Witness discharged.

## ITEMIZED COST OF PRODUCING ONE ACRE OF FLUE-CURED TOBACCO

Putting on rye for cover crop . . . . .	\$ 3.00
12 tons of barnyard manure at \$1.50 per ton . . . . .	18.00
Spreading manure 25 cents per ton . . . . .	3.00
Ploughing the ground . . . . .	2.50
Rolling, discing and dragging twice over . . . . .	2.00
1,000 pounds commercial fertilizer . . . . .	15.25
Delivering fertilizer to farm and field . . . . .	.50
Putting on fertilizer, ridging and rolling . . . . .	2.00
Plants for planting and replanting . . . . .	20.00
Planting and replanting . . . . .	6.00
Poisoning for cut-worms . . . . .	1.50
Cultivating the whole season . . . . .	6.00
Hoeing the whole season . . . . .	5.00
Topping tobacco . . . . .	2.50
Spray and spraying . . . . .	2.00
Suckering the whole season . . . . .	8.00
Insurance against hail and wind . . . . .	2.00
Harvesting crop . . . . .	24.00
Twine for priming . . . . .	1.00
Fuel for curing tobacco . . . . .	9.00
Labour for curing . . . . .	10.00
Emptying kiln and putting in barn . . . . .	6.00
Cooping tobacco . . . . .	1.00
Bulking, stripping and baling . . . . .	10.00
Twine and paper for baling . . . . .	.75
Fuel for stripping room and steaming . . . . .	1.50
Delivering crop to the market . . . . .	1.00
Repairs on kiln and building . . . . .	2.00
Insurance on kiln and barn . . . . .	2.00
Insurance on tobacco . . . . .	2.50
Depreciation on buildings . . . . .	2.00
Interest on buildings . . . . .	9.00
Interest on land . . . . .	10.00
Interest on machinery, repairs and upkeep . . . . .	1.50
Interest on sticks and loss of sticks . . . . .	1.50
Interest on money expended in crop . . . . .	6.00
Taxes on land and buildings . . . . .	5.00
Miscellaneous expenses . . . . .	2.00
Total . . . . .	\$207.50

The average number of pounds produced in 1933 was 800 per acre. Cost of producing 800 pounds \$207.50 or 26 cents per pound. Average price paid per pound was 15 cents which would be \$120 or a loss to the grower of \$87.50.

It costs about \$51 per acre less to produce Burley or air-cured tobacco or \$156.50 per acre. It produces a heavier yield but the price is so much less, as the average number of pounds of Burley is 1,100 pounds per acre and the average price paid would not exceed 6 cents per pound or \$66 per acre. So the loss to the grower would be \$90.50 per acre. It costs on an average 14 cents per pound to produce Burley or air-cured tobacco.

## NET PROFITS OF THE IMPERIAL TOBACCO COMPANY

1913 . . . . .	\$2,353,425
1914 . . . . .	2,550,134
1915 . . . . .	2,313,225
1916 . . . . .	2,417,630
1917 . . . . .	2,815,740
1918 . . . . .	3,318,520
1919 . . . . .	3,456,480
1920 . . . . .	3,486,150
1921 . . . . .	3,536,753
1922 . . . . .	3,630,976
1923 . . . . .	3,645,845
1924 . . . . .	3,656,276
1925 . . . . .	3,662,840
1926 . . . . .	3,672,850
1927 . . . . .	4,371,313
1928 . . . . .	4,874,773
1929 . . . . .	5,862,207
1930 (\$8,153,638 for 15 months) . . . . .	6,400,000
1931 . . . . .	5,914,079
1932 . . . . .	5,471,175
1933 . . . . .	5,670,176

This is just as it is given in this Company's annual statement as given at their annual meeting to the shareholders of the Company.



The CHAIRMAN: Now, gentlemen, this morning I mentioned that I thought it would be desirable to adjourn the further consideration of tobacco until some day next week, but before doing so I think Mr. Factor wants to make some observations.

Mr. FACTOR: Mr. Chairman, the statement I would like to make is this: I have consulted with my colleagues on the committee, and we are willing to co-operate in any way in bringing together the growers and the manufacturers to see if they can solve their own problems; but we feel that this enquiry should be proceeded with further and that the following matters be gone into. I have briefly summarized them, and I would like to put them on record: first, the price spread. We had an illustration yesterday from Professor Leitch of a package of cigarettes retailing at 25 cents for which he said he would be happy if he could receive a cent and three-quarters for the tobacco contained in the package. The excise tax is 10 cents, so there is a spread of  $13\frac{1}{4}$  cents to be accounted for; and my colleagues and I feel that we should get definite information and have a complete investigation of how much the manufacturer, the jobber and the retailer receive.

The CHAIRMAN: We had no idea of cutting that out.

Mr. FACTOR: No. I am just pointing this out, Mr. Chairman, because you will realize that if the large manufacturers, such as the Imperial Tobacco Company, own and control both manufacturers, jobbers, and retailers, it becomes eminently important to ascertain this.

In the second place, I would like to suggest to you, Mr. Chairman, that auditors be put into the large tobacco manufacturers to obtain a picture of the financial structure—the profits made, the salaries paid to the executives, and the wages paid to their employees; third, the ownership or control by the large tobacco manufacturers of other manufacturers, jobbers and retailers; fourth, the method of jobbing and retailing. That is, the whole method of distribution of their product including the method of advertising; five, some investigation ought to take place into what I am informed is prevalent, that is, a price maintenance agreement amongst retailers, jobbers and wholesalers; my sixth point concerns numerous complaints I have received from the city of Toronto from independent wholesalers and retailers who complain—particularly wholesalers—that they are unable to purchase their products from the large tobacco manufacturers such as the Imperial and others, even if they are willing to pay cash for them, and that the retailers are unable to purchase their supplies directly from the tobacco manufacturers, and have to pay a 10 per cent higher price in buying them from the jobber. Now, the several points I have jotted down are very important, and I feel that we should have the manufacturers, both large and independent manufacturers, and wholesalers, independent and others, to present their evidence before this committee.

The CHAIRMAN: I do not think we have any objection to that, Mr. Factor. It does not interfere with the suggestion made, the main point of which is to see if it is not possible to secure for the grower a larger share of that dollar which is distributed—

Mr. FACTOR: Not at all.

The CHAIRMAN: —which is secured. To the other matters you have mentioned I have not the slightest objection.

Mr. SOMMERVILLE: I might state that we have financial statements from most of the companies, and we expect by to-morrow to have all the financial statements for the last five years for the purpose of having the financial structure examined.

Mr. YOUNG: If these gentlemen get together and form an agreement, I suppose that agreement will be submitted to us, because there might be other interests involved that are not represented at that meeting.

The CHAIRMAN: Quite so. It is merely that we might attempt, at least, some really practical results that will be of some value. Now, we will adjourn the tobacco enquiry until Thursday of next week. On Tuesday and Wednesday we have made arrangements for the bakers and vegetables growers.

The Committee adjourned to meet on Tuesday, May 1st at 11 o'clock.





## HOUSE OF COMMONS, ROOM 368,

May 1, 1934.

The special committee appointed to inquire into price spreads and mass buying met at 11 o'clock a.m., Hon. H. H. Stevens, presiding.

Mr. Norman Sommerville, K.C., of Toronto and Mr. W. W. Parry, K.C., of Toronto, appeared as counsel for the committee.

The CHAIRMAN: Order, gentlemen. The minutes of the last meeting record the witnesses heard; no documents were filed. Unless there is some question, I declare the minutes approved.

Before proceeding there is a correction in the evidence of Mr. P. Blais of Ste. Cesaire, Quebec, on page 1308. A question was asked of Mr. Blais by Mr. Sommerville, as follows: "So that the price from 1927 to 1932 dropped from 22 cents to 10 cents; that is, the price your farmers got on their processed tobacco, after you had treated it and had sold it to the General Cigars?—A. Yes."

Mr. Blais points out that he did not quite understand the question, and he says that the term "processed tobacco" should be changed to "green leaf tobacco." I have checked this statement regarding prices and, obviously, it was an error in understanding of the question by Mr. Blais. So with the consent of the committee we will order that that change be made at the request of Mr. Blais.

Mr. BOULANGER: Mr. Chairman, with your permission I would like to make a motion:—

That the House of Commons, the Prime Minister and the Minister of Finance be respectfully requested to forward to this committee all petitions or protests against the imposition of a tax on raw leaf tobacco which they may have received during the present session.

As you know, a lot of these petitions have been filed in the House, and some of them have been sent to Mr. Rhodes and to the Prime Minister.

The CHAIRMAN: Mr. Boulanger, would you kindly leave that as a notice of motion. I am not quite clear on the formality of the regular proceeding. I see no objection to it.

Mr. BOULANGER: I have another favour to ask; Mr. Seguin, member for L'Assomption, Montcalm, told me that some of the tobacco growers of his district would like to send a representative to our committee.

The CHAIRMAN: There is no objection to that.

Mr. BOULANGER: I will ask him to get in touch with Mr. Sommerville or Mr. Parry, and, for myself, I would like to have one of those raw leaf tobacco growers appear. I would like to hear Charles Frenette, St. Charles, Bellechasse county, wholesaler dealer in raw leaf tobacco.

Mr. PARRY: Mr. Chairman and gentlemen, counsel is proposing this morning to launch into an inquiry into the spread affecting the price of bread in relation to milling. It is proposed at a later date to furnish the committee with an analysis of statements which will be shortly obtained from the milling and baking companies, but at the moment the inquiry is particularly directed to

revealing to the committee conditions in the baking industry in particular from one end of Canada to the other. In this regard I am filing three charts giving certain statistical data which will be of value to the committee, and to which I will draw their attention before the inquiry proceeds. In the chart marked "A" it will be observed that it reveals the average yearly price of one pound of wheat flour used in one pound of bread, and one pound of bread itself, using as the basis 270 pounds of wheat equal to 196 pounds of flour equal to 270 pounds of bread. It is also revealed that in 1913 the wholesale price of one pound of wheat at Fort William was 1.47 cents, and in 1933, 1.02 cents. The wholesale price of flour in one pound of bread in 1913 was 1.80 cents, and in 1933, 1.66 cents. The retail price of one pound of bread, taken from the 69 localities which furnished the statistical information in 1913 was 4.2 cents, developing at various rates up to 9.3 cents in 1920 and to 5.7 cents in 1933.

Chart "B" shows the spreads between the average yearly prices—it is not a relative chart in the same sense—and the table on the right-hand side of the chart reveals and deals with the question of spreads; but I would refer the committee to the indices in the right-hand side of this exhibit. The price spread between wheat and flour in 1913 was .33 cents; in 1933, .64 cents. The spread between flour and bread which in 1913 was 2.40 cents, in 1933 was 4.04 cents. The spread between wheat and bread which in 1913 was 2.73 cents, in 1933 was 4.68 cents.

Mr. KENNEDY (*Winnipeg*): And in the interim the spread was greater.

Mr. PARRY: The spread was greater. The high point of the spread appears to have been at 1930 when the spread between wheat and bread was 5.93 cents and there was a corresponding spread, and a high spread, between flour and bread of 5.13 cents.

Chart "C" develops the relative relation between Canadian wheat, flour and bread prices for the years 1924 to 1933 as compared to the relation of their average for the year 1923. It may be recalled that this chart in part was set forth in the report of the bread-baking industry which was handled by the registrar of the Combines Investigation Act in 1931, and this has been brought up to date. It will be observed that in and during the year 1933 there was a decided lag in the price of bread with relation to the prices of flour and wheat, but that lag has been largely taken up, and on the margin are revealed the relative relations between wheat per bushel and flour per barrel and bread per pound. I will file that as an exhibit.

*Charts "A," "B" and "C" filed, marked exhibit 107*

I am also filing, Mr. Chairman, for the use of the members of the committee as exhibit 108 the investigation into an alleged combine in the bread-baking industry in Canada, the report of the registrar dated February 5, 1931, and I wish for the information of the committee to read several brief extracts which will, perhaps, reveal the picture, changed only from the point of view of relationship during this time. At page 33 under the heading "Delivery and Sale Costs," I read as follows:

The outstanding development in the cost end of the bread-baking industry in recent years has been the rise in selling expenses. In the first half of 1930 the average cost of delivery and sale, according to the returns of 119 bakeries, was 1.66 cents. Few comparable records for earlier years are available, but a comparison of the present returns of five Montreal bakers with their statements in the 1925 bread inquiry (only five are comparable) indicated that distribution costs were increased in the case of four plants (from 1 cent to 1.98 cents per pound of bread, from 1.30 cents to 1.97 cents, from 1.99 cents to 2.36 cents, and from 1.04 cents to 1.80 cents). In the other instance distribution



costs decreased from 2.03 cents to 1.91 cents. Another indication of this trend is the fact that in 1913 all items of cost other than flour amounted to less than 2.4 cents (flour cost 1.8 cents, and bread sold at 4.2 cents). What the average of 1.66 cents per pound in 1930 means is that the Canadian consumer, buying a pound and a half loaf for, say, 10 cents, paid  $2\frac{1}{2}$  cents to cover the baker's sale and delivery expenses. Getting away from the Dominion average and taking Toronto costs alone, which are unusually high, the Toronto housewife paid not  $2\frac{1}{2}$  cents but  $3\frac{1}{2}$  cents to have a 24 ounce loaf sold to her and delivered to her kitchen. One Toronto baking company reported its delivery and sales costs in 1929 as amounting to 5.18 cents per 24-ounce loaf.

And on page 38 under the heading "Combination in the bread-baking industry" I read the following:—

The price of bread is not, of course, as flexible as the price of either flour or wheat. Neither is the competitive area as wide as in the case of flour or wheat. As a perishable bulky commodity, bread must be marketed within a comparatively short distance from the bakery, as well as within a short time after its production. Even though the improvement of roads and the use of trucks have widened the marketing area of producing plants, the range is still limited to a fairly restricted territory.

Competition therefore has until recent years been a matter of more or less local concern. Where prices were low it was presumably because of price competition. But the competition situation in Hamilton, for instance, had little or nothing to do with the situation in, say, Vancouver: the bakeries in each locality were seldom subject to outside control or influence. It is only recently that a new situation has arisen whereby the ultimate decisions on Hamilton prices are not necessarily made in Hamilton, or on Vancouver prices in Vancouver; both may be decided in Toronto or Montreal or Winnipeg. If decisions are made by the local groups they are subject to prior influence, or subsequent review on the part of centralized managements in some larger centre.

This new inter-city relationship has come with the advent of the large chain bakeries, nearly all of them now controlled by one or other of the large flour milling companies. Until 1925 there were but few chains of bakeries operating in Canada; the largest of them, the Canada Bread Company, was organized in 1911. Since early in 1925, at least twelve new chains of substantial size have come into being, nine of them now under the control of four flour milling companies. Of the three others, all owned independently of the milling companies, one has since disintegrated and the other two are operating thirteen bakeries, all of them in Ontario but none in the larger cities. Another independent chain of substantial size, producing a special kind of bread, and providing no delivery service, has developed since 1920, when its first plant was opened in Alberta. It is now operating in six cities in Ontario as well as in seven in Alberta and Saskatchewan.

This, of course, gentlemen, was in 1931. On page 39 of the report, last paragraph, I find the following:—

Some idea of the part which the mill-controlled bakeries are taking in the manufacture of the bread of the Dominion is given by their total output compared with the estimated consumption of bakers' bread in Canada. According to the records of the Dominion Bureau of Statistics for 1929 the quantity of bread manufactured by the bakers of the Dominion for that year amounted to 835,794,310 pounds. Measuring



this against the officially estimated population of the Dominion for 1929 (9,796,800) the Bureau's estimate of the per capita consumption of bakers' bread for that year was 85.3 pounds. The statements of the mill bakeries give their total production for 1929 as 317,819,277 pounds of bread. On this basis, 38 per cent of the bread sold in Canada in 1929 was produced by 76 mill bakeries. As, however, these bakeries have plants in only 54 communities, their output should be measured, not against the total production of bakers' bread for the Dominion, but against the market for bread of these particular prices, making due allowance for out of town trade. According to the latest estimates available, the population of the 54 communities in 1929 was 3,192,280, not far below one-third of the Dominion's population. Their estimated consumption of bakers' bread on the basis of 85.3 pounds per person was therefore 272,301,484 pounds. The sales of bread reported by the mill bakeries in these cities in 1929 were 317,819,277 pounds. Estimating 80 per cent of these sales as city sales, the production for the 54 cities and towns stands at 254,255,422 pounds, or 93½ per cent of the entire business of the communities in which they operate.

The above figures refer to the actual output of bread of the mill-controlled bakeries in 1929. The total capacity of 72 of their plants again according to their own statements is 892,679,000 pounds a year, or nearly treble their output, or over 50,000,000 pounds in excess of the 1929 total bread sales reported for the whole Dominion.

Six mill-controlled bakeries in Montreal, for instance, with an aggregate capacity of 163,236,000 pounds of bread, could supply four-fifths of the bread sold throughout the whole province of Quebec. The total of all bread sold in Montreal alone, based on population of just over a million, would be 87,914,000 pounds.

Six of Toronto's seven mill-controlled bakeries reported capacity of 202,389,000 pounds a year. City purchases amount annually to only 68,581,000 pounds, taking the estimated population of 804,000. In fact the whole of Ontario bought in 1929 only 403,000,000 pounds.

Winnipeg's three mill-controlled bakeries have capacity enough (77,542,000 pounds a year) to supply the whole province and more, estimating the annual provincial consumption of bakery bread as 57,000,000 pounds. The city of Winnipeg alone, with an estimated population of 192,000, buys 16,377,000 pounds a year.

Vancouver has four mill-controlled bakeries, with estimated capacity of about 50,000,000 pounds, almost enough to meet the total purchases of the province, which are estimated at 58,668,000 pounds. Vancouver itself, with a population of 238,885, buys only about 20,377,000 pounds.

And there are in the province of British Columbia and the Yukon 267 bakeries.

Now, I will quote from page 43, "The Chain Store":

Within recent months other forms of competition have appeared which make it difficult for the mill-controlled bakeries to sustain prices at unduly high levels. The same tendency toward centralization of industry which is seen in the consolidation of bakeries and their control by flour milling companies is to be observed also in the entrance of the chain store into the bakery business. On the one hand we have the flour mills reaching forward into bread manufacture and distribution; on the other we have the chain store, primarily a retail distributing organization, reaching back into manufacture—the two meeting on the common competitive ground of the bread-baking industry.

I quote from page 44 at the centre of the page:

The above returns have been supplemented by the records of seven other chain store companies which are not engaged in the baking business, but which buy their bread from local and other bakeries. In practically all of these stores bread was sold at a profit, or at least at prices higher than those actually paid the baker for the product. There were a few exceptions, however, where bread was sold at cost or below, doubtless as a "leader" the loss being charged to advertising account. Such a practice is illustrated by a rather extreme example given recently by the manager of a chain specialty store in an Ontario city, a store which ordinarily carries few if any lines of food products. Asked concerning the 24-ounce loaf which was being featured at 5 cents in a special one-day sale, the manager stated that his firm bought the loaf at 7 cents and sold it at 5 cents. A thousand loaves were sold, at a total loss on bread of \$20, but this money was regarded as well spent since it brought many customers into the store. Such a practice, particularly on the part of a chain which carries many lines of goods and can afford to cut on one for advertising purposes, undoubtedly works an injury to the baking trade whose only or chief product is affected. The impression which is given to many is that 5 cents must be the fair price for a pound-and-a-half loaf, and that anything above that is excessive.

The concluding reference is found on page 45:

It is often assumed that in business combination is very antithesis of competition; that so long as competition exists, a combination of manufacturers or dealers, cannot maintain excessive prices. Competition, regarded as the life of trade, is depended upon also as the public's chief measure of protection. Distinction should be made, however, between two different types of competition: the one, competition in price; the other, competition in quality, service and sales promotion. The one tends to keep costs and prices down to a minimum, the other, where it is not kept within control by price competition or some other means of regulation, has usually the opposite effect of increasing costs and prices.

Within the bread-baking industry examples of both kinds of competition are clearly seen: competition in quality, service and salesmanship more plainly in recent years, competition in price very markedly in recent months. The latter type seems to have come in part as a reaction from the other.

(Report re Bread-Baking Industry of Canada filed, marked Exhibit 108).

The CHAIRMAN: This has all been read from the report of the Registrar of the Combines Investigation Act.

Mr. PARRY: Yes, and filed as exhibit 108. I am filing the report on Bread and other Bakery Products' Industry in Canada, 1932, published by the Department of Trade and Commerce in collaboration with the Dominion Bureau of Statistics.

The CHAIRMAN: I will now call Mr. Pinchin.

Mr. R. J. PINCHIN, called and sworn.

*By Mr. Parry:*

Q. Mr. Pinchin, you are associated with the Copeland Flour Mills of the town of Midland, Ontario?—A. Yes.

Q. In what capacity?—A. Vice-president.



Q. And as such you have had considerable experience in the flour milling industry and have come in contact with the baking industry in the province of Ontario and other parts of Canada?—A. Yes.

Q. You have a presentation to make to this committee. Have you copies of what you are going to present?—A. Yes.

March 31st, 1934.

“Honourable Sir, Members of Your Committee.

GENTLEMEN,—Your request that I appear before you has been interpreted as an invitation to assist you to enquire into the relationship between the flour milling industry and the bakeries of the country and the effect of such relations on the banking industry of Canada rather than as a member of the Milling industry called before you to give evidence primarily in defence of certain operating policies.

May I say I deem it an honour to serve you. The magnitude of your assignment implies the nature of the responsibility which you have assumed in the interests of the Canadian people. Every serious minded citizen should follow with the keenest interest your deliberations here inasmuch as your recommendations to Parliament, based upon your findings from evidence submitted, must prove of far reaching import both socially and economically.

If I should be accused of a selfish motive, I trust you will find it to be a sincere desire to witness an early return to a state of balance in our economic structure so that we all may enjoy in our own right as individuals the fruits of our services and enterprise in a manner likely to insure healthy, vigorous progress throughout Canada, thereby indicating contentment and happiness among the greatest number of our population.

In the preparation of the material which I now present for your consideration, I have endeavoured, therefore, to keep constantly in view the real purpose of your committee as I understand it, namely: to ascertain if possible those forces leading up to and apparently responsible for living conditions which have become untenable for those who find it impossible to maintain their relative position in our social structure through lack of employment or insufficient purchasing power.

Item C of Resolution now before you refers specifically to the *relation* between the milling and baking industries and the *effect* of this relationship upon the latter. My remarks should not be interpreted as an exhaustive study of either the milling or baking industries but rather as confined to certain facts and observations strictly pertinent to the subject under review.

Of necessity my report is a lengthy one. It is well to keep in mind the important part which mill-bakery products play in our daily subsistence. Involving the use of the products of the farm, transportation and handling facilities, manufacturing, all forms of wholesale and retail merchandising, the granting of credit and all problems associated with each of these various activities, this major industry assumes a position of national importance and its products a matter of interest and concern to every individual.

As there are other sources from which you will be obtaining specific detail relative to individual operations, may I ask that you consider this part of my evidence as indicating my cumulative observations extending over the past ten years of continuous contact with the problems of the milling-baking industries.

### *Report*

In 1931 there appeared in pamphlet form the results of an investigation into “An Alleged Combine in the Bread-Faking Industry in Canada” conducted by the Minister of Labour under the Combines Investigation Act. Although a review of this report would furnish you with a great deal of the evidence which



I believe you now require, the fact that intervening developments have appreciably changed our economic outlook prompts me to use this report only as official confirmation of certain statements and observations which I may make, in order to eliminate the necessity of again presenting lengthy evidence in proof thereof."

*"Direct Relationship of the Flour Milling Industry to the Bakeries of the Country"*

Briefly stated, the direct relationship of the flour milling industry to the bakeries of the country may be summarized as follows:—

Five Mills, primarily producers of flour, with 83 per cent of the capacity of the first eight mills and 68 per cent of the capacity of all active mills in Canada, are also engaged directly in the operation of wholly owned or controlled bakery subsidiaries.

According to the Robertson Report on the baking industry, seventy-two baking units controlled by flour milling companies had an *installed* capacity in 1929, 6 per cent in excess of total bread sales for the whole Dominion in that year—6 per cent being equivalent to 50,000,000 pounds of bread. The *actual* amount of bread sold by seventy-six mill-controlled bakery units was reported as 38 per cent of *all* bread sold in Canada in 1929. The position in 1934 may be stated as approximately analogous to that of 1929."

I think, as Mr. Parry has read to the Committee certain extracts which I had intended to read from pages 39 and 40, we can pass them over.

The CHAIRMAN: Yes.

*"Effect of This Relationship on the Baking Industry"*

The effect of this relationship on the baking industry may be indicated in the statement that prior to the advent of the mill—bakery combination in a large way, the baking industry was a profitable vocation, a definite asset to, and a stabilizing force in, our economic structure. To-day it is in a chaotic state, with those directly engaged in it labouring under very discouraging conditions and those dependent on it financially suffering from its seriously weakened condition."

*By Mr. Parry:*

Q. Have you any examples to illustrate that paragraph?—A. According to the Dominion Bureau of Statistics 1932, a report on the bread bakery products industry, this discloses that in 1929 there were 1,769 units with an average investment of \$23,350 per unit; there were 9,940 employees receiving an average remuneration of \$1,160; there were an average number of employees per unit of 5.6. In 1931 there were 2,912 units with an average investment of \$18,600; and there were 18,337 employees receiving an average remuneration of \$1,000; there were an average number of employees per unit of 6.4. During this period the capital invested in these units increased \$31,000,000. In view of the fact that the number of units increased 1,143 it may be safely inferred that the percentage of capital increase might be traced to a comparatively small number of extensive units.

Q. Thank you?—A. Discussion:—

"In order to throw some light on whether the policy of milling companies controlling bakery outlets has been responsible for the unsatisfactory conditions in the baking industry, I suggest we study the two industries to determine if from such a policy might be expected a sound economic fusion, particularly under the conditions which prevailed and the manner in which the policy was pursued.

The science of successful business administration indicates that:—

1. A consolidation or merger is considered sound when the *combination* will *accomplish* that which is not possible as *individual* constituents. Primarily it is for the purpose of increasing or stabilizing operating profits, consolidating a competitive position in a certain field of activity, or both. Success depends largely on the *real purpose* of the combination and the extent to which recognized principles govern its formation, as well as its subsequent operations.

2. In any highly competitive industry, operating policies designed and practised in an effort to further the selfish interests of any unit or group in such a way as to undermine the stability and healthy nature of the industry as a unit, eventually must react against those responsible for their introduction, for the very obvious reason that the given *industry* must *prosper* if the *individuals* are to do so.

3. Commercial prosperity depends upon legitimate profits. It is the expectation of these profits which drives the industrial machine. If eliminated, stagnation follows. Temporary profits derived from the extremes of either cut throat competition or an artificially supported, economically unsound price structure eventually mean no profits for anyone, the ultimate collapse of normal trading and the inability of the industry to be a stabilizing factor, due to internal price disequilibrium.

A study of each industry will disclose certain salient facts pertinent to this discussion.

### *Milling Industry*

1. Milling lends itself to large scale operations, directed or controlled from one or more strategic points for the reason that the smallest unit capable of the greatest operating efficiency is of a size which requires active distribution over a wide territory to absorb its production. In 1932 there were 1,290 flour and feed milling units in Canada; 1,267 of these did  $\frac{1}{3}$  and 23 did  $\frac{2}{3}$  of the total business worked.

2. The trend in flour importing countries following the war has been towards self-sufficiency in production, manufacturing and industrial organization. As a result, milling capacity now greatly exceeds world requirements. This is reflected in the amount of idle capacity in countries formerly actively engaged in exporting flour. It applies particularly to Canada, where from table "A" appended you will observe it reveals that for every one barrel of business completed each day in Eastern Canada,  $4\frac{1}{2}$  barrels of capacity in active commission must stand idle or find an export outlet. The latter is capable of currently absorbing only one barrel of the  $4\frac{1}{2}$  barrel surplus.

Incidentally the  $3\frac{1}{2}$  barrels represents an investment interest, and depreciation cost of 35 cents per working day. This must be borne by the two active barrels, or a charge per barrel only slightly below the actual cost of milling a barrel of flour computed on a basis of full time production."

*By the Chairman:*

Q. That is 35 cents per day per what?—A. For the two barrels.

Q. For the two?—A. You see, that is arrived at by taking the cost of the installed plants, that equals \$963. If we take 6 per cent interest plus 5 per cent depreciation, it equals an annual charge of \$105.63; or, based on 300 operating days, the equivalent of 35 cents per day.

*By Mr. Parry:*

Q. And the figures you have in your "Appended A" show that this is the capacity that has to be provided for at a cost of 35 cents—on how many barrels?—A. On the ideal capacity of 60,000 barrels per day.



Q. Which you estimate to be carried at an investment interest and depreciation cost of 35 cents per working day?—A. In fact, that is per two barrels; let me read that again: "Incidentally the  $3\frac{1}{2}$  barrels represents an investment interest, and depreciation cost of 35 cents per working day. This must be borne by the two active barrels, or a charge per barrel only slightly below the actual cost of milling a barrel of flour computed on a basis of full time production." May I say there that in figuring the cost of milling flour, it is on a per barrel basis. This must be borne by the two active barrels; in other words, the two active barrels that are sent out while the others stand idle.

*By the Chairman:*

Q. That is, one for internal use, and one for export, out of the  $3\frac{1}{2}$  barrels?—A. Yes.

Q. And that means that the cost of production of 2 barrels of flour is increased by—what amount would you say?—A. By  $17\frac{1}{2}$  cents per barrel if the remaining  $3\frac{1}{2}$  barrels are to stand their legitimate charges of interest and depreciation; in other words, somebody has invested in these  $3\frac{1}{2}$  barrels.

"3. Possibly due to abnormally large profits during the war and the period which immediately followed, the executive capabilities of Canadian flour mill management may have been impaired. At least subsequent developments would tend to indicate that the executive management of the milling industry in the last ten years has not been equal to the problems with which it has been confronted."

*By Mr. Parry:*

Q. Why do you say that, Mr. Pinchin?—A. I will rest my expression of opinion there solely on the policy of the milling executives attempting to transfer the inherent weaknesses of the milling industry over to the healthy baking industry.

*By the Chairman:*

Q. Let me get that; your point is, that prior to a certain time—a few years ago—the baking industry was in a healthy condition throughout the country?—A. Yes, sir.

Q. Then the milling industry, which had overdeveloped, seeking an outlet for its particular mills, began to buy up bakeries for the purpose of securing an additional outlet for their own controlled mills; is that your point?—A. Yes, sir.

Mr. EDWARDS: And they transferred the loss to that two barrels.

The CHAIRMAN: Yes, the two remaining in the baking industry.

*By Mr. Factor:*

Q. Why do you attach any particular blame on the efficiency of the executive for doing that?—A. Well, they have transferred the inherent weakness of the milling industry, and they have not only failed to correct the weakness in the milling industry, but they have turned around and precipitated a similar situation in the baking industry, by attempting to correct the milling industry weakness in purchasing bakeries; in other words, let me put it this way, rather than let their plants stand idle—there were only two barrels capacity which could be worked, and some of the units had to stand idle to the extent of  $3\frac{1}{2}$  barrels; so I presume their reasoning was, let us buy into the baking industry so that we can absolutely secure, or assure ourselves, of a fixed outlet for our product, so that instead of standing idle, we shall be sure of our two barrels average.



Q. What is wrong with that?—A. It would be all right, if they had not precipitated a similar condition in the baking industry. In other words, they brought chaos and ruin to one large industry in Canada simply because they would not seek other methods of correcting their own difficulty.

Q. By increasing their capacity through the production of bread; is that what you mean—by going into the bakery business and thereby increasing their capacity for bread production?—A. No, no, I do not think it would necessarily follow because the mills went into the baking business that they would increase the per capita consumption of bread.

*By Mr. Edwards:*

Q. By getting control of the outlet?—A. By getting control of the outlet, so that in other words, my position as an independent, I was formerly selling Tom Jones of Windsor; he was a customer buying from me in a free and open market; suddenly, when I continued to call on Mr. Jones I discovered he had been purchased by a flour mill, and automatically that outlet for my products had been cut off.

Q. In other words, the business of the milling industry plants expanded to the extent of taking care of a large part of the trade?—A. Yes, sir.

Q. And having a loss they transferred it to all these small towns, and took up the independent baker?—A. And yet the amount of business in Canada, which we will say was a total of 10,000,000 barrels, was not sufficient to satisfy the productive capacity which had developed. But that is pretty well set out in my brief.

*By Mr. Factor:*

Q. Did it increase the capacity for bread production?—A. That follows too later on; I think I will answer that a little later on in my report.

*By Mr. Parry:*

Q. In any event, that is an illustration of what you consider to be uneconomic and unhealthy?—A. Yes.

"4. A strong financial condition, with a relatively high credit rating and the comparative ease with which the public and financial houses could be induced to invest in new issues allowed certain mills to adopt and pursue unchecked their policy of purchasing established baking units or building new ones."

Q. Have you any materials there with which to develop that point. In my opinion it is really important. Have you any illustrations of the refinancing of these bakeries by milling concerns?—A. Without mentioning any names, I will read from the annual report issued over the signature of one of our large companies.

*By the Chairman:*

Q. One of the large milling companies?—A. One of the large milling companies.

Q. Was it published?—A. Yes, sir, this is from a journal—

Q. In what paper?—A. The Northwestern Miller.

Q. Why not give the name? It is a public document everybody knows it?—A. This is the Western Canada Flour Mills.

Q. All right, go ahead; everybody knows it, it is published to the world.—A. This is for the year ending August 31, 1930, down the report it states: "The Purity Baking Company Limited which holds the bakery interests of the company, has acquired additional plants during the past year and is now represented in most of the large centres between Montreal and Vancouver.

*By Mr. Parry:*

Q. You will file that paper, please?—A. Yes, there is another reference I may want.

*By Mr. Factor:*

Q. Does that show the financial structure?—A. It shows their balance sheet here. You ask me whether that shows the financial structure. I really am not qualified to state how they finance their bakery, but I notice in the balance sheet here that the guarantee to the Purity Baking Company Limited by loan in 1929 was \$700,000, and in 1930 it was \$1,457,000.

*By Mr. Boulanger:*

Q. Did that policy of the millers buying bakeries provoke a price war in the baking industry?—A. That is answered a little later in my report, if you don't mind.

*By Mr. Kennedy (Peace River):*

Q. Were there any new bakeries built during the last two or three years?—A. I think that is a question which should be answered by the milling companies themselves.

Q. Well, in view of the point that you are stating here, that they allowed certain mills to adopt and pursue unchecked their policy of purchasing established baking units or building new ones, I thought possibly you might know?—A. My understanding is that there were bakeries built in the West and in Montreal.

*By Mr. Parry:*

Q. Have you any other information at your disposal to develop the point raised by Mr. Factor a few moments ago, as to the statement that both the public and financial houses could be induced to invest in new issues, other than general knowledge through the newspapers which are daily routine?—A. That could possibly be answered simply by obtaining the capital set-up of these different units, and in analyzing the amount of securities sold against the plants purchased. That is covered a little later on in my report.

"5. Although this policy was viewed in many quarters as highly dangerous and fraught with serious consequences, the healthy nature of the baking industry plus the new working capital derived from the sale of securities, bank loans or liquid resources allowed the combination to function for a time ostensibly with some degree of success.

#### *Baking Industry—*

1. Unlike milling, baking is a localized industry. Each unit bakes and sells products of a kind and amount to suit the needs of its particular trade area."

Q. Develop that a little further, Mr. Pinchin?—A. Anyone with two strong arms and \$5 and a bag of flour can produce a loaf of bread. You can develop that a little further. When they have \$100 they might buy a mixer, and their output is increased accordingly; so that any bakery in the local community really is developed on the basis of its efficiency to cater to the housewife, so that she will find equal or better value in purchasing from the baker than by producing her own bread. You can go back and study the baking industry, its evolution, and see how it has transferred from the home over to the bakeries.

*By Mr. Edwards:*

Q. On the estimated requirements of the community, I presume?—A. Or information.

Q. And there is no increase in the construction of private bakeries beyond these requirements?—A. In Mr. Parry's reading of the extract from Mr. McGregor's report, they stress that bread is competitive, and is sold within 24 hours, or sold locally, and so on.

*By Mr. Parry:*

Q. You would say then that the manufacture and distribution of bread by reason of that situation is entirely local?—A. At least it is but a local operation.

*By the Chairman:*

Q. Mr. Pinchin, you have had a good deal of experience in this: I would like your opinion, probably it is not evidence in the strict sense, but your opinion would be of value; would it be reasonable to say that the baking industry is of a character which as you say here, "lends itself to localized industry," and if a concern were to take charge of and to secure all of these localized units in different towns, the only result would be to add an additional expensive overhead to the cost of production?—A. Theoretically, yes; and practically, yes.

Q. That is, you would confirm that out of your own experience?—A. And as a business operator I will confirm that view.

Q. Thank you.

*By Mr. Young:*

Q. No economies could be effected by combination?—A. That is covered a little later on in my report.

The CHAIRMAN: All right, proceed, Mr. Pinchin.

The WITNESS:

"2. Prior to the advent of mill-owned bakeries, the baking business, with few exceptions, was in the hands of private or largely individual owner—operator management.

3. Due to its *localized* activities and the fact that competing units were relatively of the *same size* and *financial resources*, unfair and disturbing trade practices naturally had no tendency to reach a point where the healthy nature of the industry or the welfare of those dependent on it for a livelihood were impaired being perforce *limited* to the *available* capital of *each* unit."

*By Mr. Parry:*

Q. You have said a lot there, Mr. Pinchin; you have alluded to low prices, you have used the phrase "localized activities," "financial resources" and others; will you just give us an illustration of the points made in that paragraph?—A. We will take as an example two bakers in a representative community, Jones and Murphy: in the old days if there was a disagreement between the two, Jones might say to Murphy, Well, here, if you are not going to play ball on this thing, I am going out to get the business; he might cut the price one cent the first day, or the second day, the other chap might meet him, he would still be a little bit annoyed and he would cut a further cent the next day, until eventually the price might be dropped 25 per cent below the previous price; but within the course of four or five days they would get together and realize how absurd such a policy was, because both Jones and Murphy could figure the extent to which that competition might continue.

The CHAIRMAN: To their mutual elimination.

The WITNESS: Or, to the elimination of their resources. In other words, Jones might have had \$5,000 to throw into that, and Murphy might have had \$6,000; but that would be only relative, the big point is this: because these



men had had to earn that \$5,000 surplus, they were not going to squander it recklessly, because they knew it took a good many years to build it up and they would realize that there was a limit to how far either one might go under-selling their product below cost, without precipitating their own ruin, and it would be stopped there. To-day if one of these bakeries happens to be owned—we will say Jones is owned by one of the large baking companies; Murphy has no idea how far or how long the competition will run, because he cannot measure the resources of Jones and it may last three or four years.

*By Mr. Edwards:*

Q. He knows it will last until he is finished?—A. He knows it will last until he is through. You ask me for concrete illustrations; I venture to say you can go to almost any point where mill controlled bakeries are operating, and the independent baker, if he will tell you the truth, he will tell you how long that competition has lasted, and that his financial resources are down to the breaking point to-day, if they are not below that. I think I will develop that point a little further as I go along.

*By Mr. Factor:*

Q. Have you any statistics to show how many of these individual bakeries have been eliminated?—A. I have not. I venture the opinion though that there have not been so many actually eliminated, because of the ability of the small independent to hang on; it is remarkable how he can hang on.

Q. Is it not a fact that many of these, after they were put in that position, were taken over by the mill-owned bakeries?—A. I believe that is a point well taken. I think that on investigation you would find that in certain instances in the policy of the mills buying bakeries they would purchase the weaker of two units in a locality; and I base my information on that on this reason, that in a great many cases the sound well-established independent was not anxious to sell his business, and even although he might have been offered a ridiculous sum for it, he was in the baking business, that was his livelihood, he may have been 25 or 30, or 35 years of age, his father may have turned that business over to him, and so he naturally kept on. He has no idea of the type of competition which is going to confront him eventually; but in the meantime the mill in pursuing its bakery policy had to have a bakery in that locality, so they bought the next bakery that would sell to them? I am not assuming that, I think you will find that that is borne out by actual fact.

*By Mr. Young:*

Q. What form does this competition take?—A. That again is answered a little later on. If there are any questions, or anything you would like to know, I will be only too glad to refer back to it later.

The CHAIRMAN: Go ahead.

The WITNESS:

"4. To these facts may be attributed the steady progress and profitable operations characteristic of the baking industry prior to the mill-bakery combination. Managed and operated efficiently, it was capable at all times of meeting the most exacting requirements of the trade at the minimum cost. The Canadian consumer of bakery products was enjoying quality, service and value at the lowest over-all manufactured and distributive cost.

5. In 1932 there were 2,861 bread and other bakery products establishments in Canada, of which 2,800 did 58 per cent and 61 the balance of 42 per cent of the total business."

*By Mr. Parry:*

Q. Now, that develops from the figures contained in the report of the investigator—that indicates, does it not, that these particular units are increasing their capacity through these outlets at the expense of the other bakers?—A. On the surface it would appear that way. In other words, there were 76 in 1929 who did 28 per cent; but according to the last report, 1932, 61 units did 42 per cent of the total business.

Q. Why do you say, on the surface?—A. There may be—I am not just going by the government report here, and there may be some other factors enter into that that may affect it in reconciling the figures.

*By Mr. Kennedy (Winnipeg):*

Q. Have you any particular factor in mind?—A. No, in the bureau report they merely show the gross value of the product produced, that is the selling value of the product; and that analysis if broken down would show that certain bread units did so much business, and I have used these figures to show how that was arrived at.

*By Mr. Factor:*

Q. What year marked the origin of this milling baking combination; when did the mills first go into the baking business?—A. According to Mr. McGregor's report the Canada Bread I think was taken over by the Maple Leaf Milling Company some time after the war. I am not sure; but the big buying orgy of mills controlling bakeries was during the years 1927, 1928, 1929 and 1930. It started, and eased off then.

*By Mr. Parry:*

Q. In regard to Mr. Kennedy's question, I think there is a possibility that of the 61 there may be other than mill-controlled bakeries in that number?—A. Oh, yes.

Q. Whereas in connection with the 76 the figures all represented mill control?—A. Yes.

#### *"Mill—Bakery Combination"*

Let us now consider the results to be expected from a baking company buying a mill or a milling company buying bakeries. The following two theoretical illustrations are used:

##### *Illustration 1*

A baking company, capable of absorbing the total output of an efficient flour mill on a basis which will insure it a uniform, high quality product at an all-inclusive cost per barrel consistently below that at which it may secure its requirements from other milling units, may increase its net operating profit or consolidate its competitive position by purchasing or otherwise controlling such a milling unit.

This is an example of an economically sound combination. It is important to observe that in this case the baking company as the new owner does not change its status as its business continues that of merchandising bakery products in the same manner as it has heretofore. Competition has not been increased or disturbed. To the contrary, the combination is in a position to exert a steadying and healthy influence through its improved operating position."

*By Mr. Factor:*

Q. Is not that baker enjoying a more advantageous position than the one who has to buy from other units?—A. It may; but it owns the mill and it is



taking its total output from that mill by virtue of that combination, and, assuming it is able to reduce its operating charges and it passes that saving along to the trade, then it is furthering the soundness and stability of our economic structure. I merely use that illustration to offset the next illustration.

*By Mr. Young:*

Q. Is there any such baker in the country as that?—A. No, sir.

Q. Is any such baker possible?

The CHAIRMAN: It is too sensible.

*"Illustration 2*

A milling company seeking to control an outlet for its products enters the baking field. It acquires existing baking units or builds new ones. Due to the fact that other milling companies are pursuing a similar policy, the owners of bakeries are content to sit back, ask prices sharply above recognized, sound values, finally closing to the highest bidder.

The milling company eventually finds itself the owner and operator of a string of bakeries of various sizes and operating efficiency, scattered from coast to coast, and representing an investment based upon abnormally high or boom values.

In this case it is important to note that the status of the *milling company* as the new owner is changed as it now becomes a *distributor of bakery products*. The milling executive becomes a bakery executive or at least it must be qualified to direct, and be held strictly accountable for, all company policies or trade practises which may be pursued by its baking subsidiary.

Such a combination, fraught with uncertainties, is admittedly unsound for the following reasons:—

1. It fails to accomplish anything which constituents as individuals could not do in a more efficient and less costly manner.

2. Any doubtful saving in the form of lower flour selling costs; wider margin of flour profit; guaranteed business; extra bakery profits; etc., tend to be offset or dissipated in the initial high purchase or investment bakery cost, plus the high annual write-offs incidental to the cost of floating new securities and the depreciation necessary to adjust book values to sound market values."

*By Mr. Factor:*

Q. Has not that been the greatest difficulty in this matter—the fact that the milling concerns have paid such an abnormally high price for some of the businesses they have absorbed, and then issued stock to the public?—A. Well, I am using this merely as an illustration, but I would answer that—

Q. Is it not a fact?—A. Yes, I believe so.

Q. May I ask you again if you have any concrete illustrations of the taking over by the milling concerns of large bakeries and then the issuing of stock to be sold to the public at the high price the bakery was purchased for?—A. No, I have not, sir.

- “3. Although eliminating the cost of all flour sales resistance in units purchased, the milling company must still overcome in the baking field competition of a nature equally as difficult and increasingly more costly to combat and therefore requiring more aggressive salesmanship rather than a lower cost sales organization.

4. By substituting *direct owner-management* supervision with *indirect line-control management*, the *relative* efficiency of the combination is weakened appreciably, particularly so at points where its competition may still be the individual owner-management type.



That, sir, is answering your question.

The CHAIRMAN: Quite so.

"5. Impelled by the mill surplus necessity of increasing bakery distribution rather than merely maintaining it, the combination with its overwhelmingly greater financial and industrial power throws its full weight behind its bakery efforts, the outlet for which must be an *individual* bakery unit in *each* locality where the *pressure* is applied."

Mr. FACTOR: That is why we see five or six waggons on one street?

The WITNESS: Yes.

"This pressure takes the form of additional bakery routes, an increased sales force, newspaper and radio campaigns, the introduction of new products, with specials offered as inducements, etc. These are resorted to in quick order. Its competitors in each locality affected must keep pace or lose ground. The cost of distribution starts to climb. In the final analysis some one must pay, whether it is the miller, the baker, the employee, the stockholder, the creditor or the housewife."

Mr. PARRY: Would you say that any of those elements were the result of public demand or were forced upon the industry by external things?

The WITNESS: No, sir.

“(NOTE: This is not attacking progressive selling methods, but rather stressing the danger of injecting high pressure methods into the industry during a period when conditions warrant the intelligent and careful outlay of liquid resources.)

6. As the mill must continue to solicit flour business from independent bakers, chain stores, retailers and consumers in order to maintain its volume and enjoy competitive production costs, it is confronted with the increased competition arising from those milling units whose regular business has been disturbed and lost to the mill-bakery combination purchasing and cutting off overnight certain of their regular bakery outlets.

7. Confronted with keener competition, the mill-bakery combination has no alternative but to continue to eliminate by purchase or render ineffective through unprofitable operating conditions any competition which retards the execution of its policy or endangers its success.

8. The bakery purchase policy continues until an analysis reveals to the combination that the installed capacity of controlled units already exceeds by 6 per cent the total bread sales in the whole market and combined these controlled units are only participating in 38 per cent of the business. A halt is called.

At this point it is advisable to jump from these theoretical illustrations to actual facts.

You should find it comparatively simple to fit into the above illustrations the details of the exact technique practised by the average mill-bakery combination as they will be disclosed to you during the course of your investigation.

Should the milling units controlling bakeries attempt to justify the soundness of their bakery purchases, you may find it illuminating to secure from them complete particulars of the following nature:

1. The price in cash and securities for all individual baking units and companies purchased."

Mr. FACTOR: That is what I was referring to.

The WITNESS: Yes.

"2. The replacement cost of these units at time of purchase.

3. The depreciated value of same at the time of purchase.
  4. The present value of these same units, expressed in terms of: (1) replacement cost (2) depreciated value plus cost of subsequent additions (3) the value computed on a basis of current earnings.
  5. The nature and amount of securities issued against these purchases at the time of transfer.
  6. The cost of converting these securities into cash.
  7. The extent to which any milling company may have used bank loans to purchase baking subsidiaries.
  8. The approximate loss to the public as indicated by the difference between the original amount invested by it and the secured equity now represented by its holdings plus the loss of interest which might have been earned and expected under conditions of decontrolled bakery operations.
  9. The loss in wages received by all bakery employees, directly traceable to the competitive situation arising from the mill-bakery combination.
  10. The increased cost to the bread consuming public as indicated by the difference between the delivered wagon price about the time the mill-bakery combination was at its height and the relative price prior to its entry into the baking field. The factor of relative quality of the mill-controlled and independent bakery products should also be considered."
- Mr. PARRY: Will you enlarge on that; what you mean by that?

*By the Chairman:*

Q. What was the approximate date? I have asked this question before, but I do not think I have it clear in my mind. You say here, "about the time the mill-bakery combination was at its height"; you said 1928 and 1929?—A. Between 1928, 1929 and 1930. I would say about 1929. It may have been farther over into 1928. Perhaps I can explain that a little bit further. I understand that the average cost of a loaf of bread delivered to a home in Toronto is 3 cents more than the cost to stores on a wholesale basis.

Q. In Toronto?—A. That is in Toronto.

*By Mr. Factor:*

Q. That is the cost of delivery?—A. That is the extra cost of delivery.

Q. In other words, bread can be delivered for wholesale distribution at a price 3 cents per loaf less than to the home, for retail distribution?—A. Yes.

*By Mr. Edwards:*

Q. What is the comparison between the waggon delivered bread and the shop purchased bread to the consumer?—A. Why, really, I think it would be better to have that question answered by those who are actually in the baking business in each centre; but from what I can understand the price varies anywhere from 5 to 8 or 9 cents, maybe 10 cents. I understand they are selling bread in plain wrappers in "X" waggons that bear no name and yet the waggons are owned by some of the big baking companies, and you can buy bread from those waggons much cheaper than you can buy their other bread delivered with the wrapper on it at the home. Those things should be definitely settled by those in a position to state exactly what the facts are.

*"The Chain Store Companies as Bread Producers"*

The failure of the mill-bakery combination may be attributed to its inability to suppress in other individual enterprises, efficiency and progressiveness. Proof of this may be found in the entrance to the baking field of the chain store companies as bakery owners and bread producers.



Stated briefly, the mill-bakery activities resulted in such an appreciable increase in retail bread selling costs that the housewife was paying as much or more for her bakery products in 1929-30, with raw materials sharply lower, as she had when peak prices prevailed. This is fully covered by the Robertson report on the baking industry.

For several months it almost looked as though the days of the representative, independent baker and miller were numbered, at least for those whose operations were analogous to theirs but who lacked the financial backing of the mill-bakery combinations.

An analysis of the situation by certain aggressive owners of liquid capital, including the chain store operators, disclosed the fact that the spread between the cost of raw materials and manufacturing on the one hand and the price paid by the consumer on the other had been allowed to widen to a point where they might install the most modern and efficient type of bakery equipment, produce equal or better quality products, lower the cost to the housewife by an appreciable margin and still enjoy a satisfactory return on their investment."

Q. Could it be said that that condition still exists?—A. No.

Q. It does not exist now?—A. Because the price has been generally lowered; the average is down now to a point where that no longer prevails.

Q. I understand that in one case, at least, the chain stores have abandoned the actual production of bread. Do you know that?—A. Yes, sir.

Q. That is so?

*By Mr. Kennedy (Peace River):*

Q. Did this result in a big increase in the bread baking capacity of the Dominion? Was it done in one or two cases? You said there, "on the one hand the price paid by the consumer on the other had been allowed to widen to a point where they might install the most modern and efficient type of bakery equipment, produce equal or better quality products;" was that done?—A. I have only direct knowledge of five cases.

MR. PARRY: The report in 1929 shows six such bakeries operating in Canada—two in the province of Quebec, three in the province of Ontario, and one in Manitoba—page 43.

"The chain store operators are held responsible for the break in bread prices in 1930-31. This is correct but it is unfortunate and most unfair to accuse them of precipitating and being solely responsible for the chaotic conditions currently prevailing in the baking industry.

If the real cause of the trouble is to be uncovered and eliminated, it is most important that the point at which price cutting of an unprofitable nature actually started be clearly established and which type of business was responsible for it, i.e. the mill-controlled, independent or chain store bakeries.

This involves a study of certain fundamental principles or trade factors generally recognized as applicable to and influencing merchandising policies."

*By Mr. Young:*

Q. Was price cutting very drastic at that time? How much was the price cut?—A. Not at that time. The really drastic price cutting developed, I will say, about a year later after these units started to make headway.

Q. Was it a very drastic cut?—A. If I recall correctly the price was somewhere in the neighbourhood of 10 or 12 cents, and it was cut. It steadied away shortly afterwards at 8 cents. It may have been cut progressively from 10 cents to 9 cents and then to 8 and then as things started to boil it was cut to 4 cents.



*By Mr. Parry:*

Q. Did that result in the development of a second quality loaf that was put on the market?—A. Those things were all interjected about that time or shortly afterwards.

Q. You would not say that developed from the chain store itself as a bakery unit?—A. No. It is a factor which has resulted from all these different points which I have set out in order.

1. Competition is inevitable in a free society for it results from the public's comparison and choice among all the offerings which invite its expenditures. The desire to compete, to excel, to win a preference is the life of all games and characteristic of human nature in all lines of endeavour. This factor cannot be ignored when formulated operating or merchandising policies.

2. Demand arises from man's needs and desires, together with his ability to exercise such desires. There must be the will as well as the urge to buy.

3. Merchandising is the art of satisfying these wants and desires in a manner capable of maintaining a proper balance between production and consumption. This involves the responsibilities of the producer to the consumer and vice versa.

4. The problem of the producer to-day is largely one of distribution, not production.

5. We all produce to sell and in turn buy with what we sell. The volume and extent of our purchases are limited perforce to the actual exchange value of the goods or services we produce and are able to sell.

The foregoing is summarized in the following extract taken from a financial review published in 1932:

All students of the question recognize that the fundamental condition of prosperity is a state of balance in various economic relationships between individuals or groups of the population. It is necessary that costs, prices and wages of every kind be in equitable relation with other costs, prices and wages, so that the goods or services offered by each group exchange on an equitable basis with those offered by others, resulting in a rapid flow of all products into consumption. Goods coming to the market not only satisfy needs but represent buying power for other goods and there is no source of buying power outside of the exchanges between the various industries and occupations. Full employment, ready sale of goods and a high state of comfort are all dependent upon these exchanges, and hence upon the maintenance of balanced relationships.

Did the policy of the mill-bakery combination tend to disrupt the normal balance in the bread price structure, leading to the unsettlement in the milling-baking industries?

Turning to the Robertson Report, we find the following statements:

Page 33.—The outstanding development in the cost of the bread-baking industry in recent years has been the rise in selling expenses.

Page 34.—One explanation of the exceptionally high distribution costs of the larger bakeries appears to lie in their use of high pressure sales methods.

*By the Chairman:*

Q. This confirms a statement that you made and is, without doubt, highly important. Have you in your mind some illustrations of what you would term the use of high pressure sales methods?—A. I might add to the ones on page 6.

Q. Yes, at the top of page 6 you have mentioned—A. What you desire is a concrete illustration.

Q. Yes, if you could?—A. Again it involves—

Q. You referred to it at the top of page 6, "the introduction of new products, with specials offered as inducements, etc." Now, could you elucidate that?—A. Some of the practices, as I understand them, have been that the price of bread might still remain at 10 cents, but the price of a cake as such would be cut as a special, so that the combined cost to the housewife of the two or three units would be somewhat lower than the two or three units sold by themselves.

Q. Now, I think you have hit on the point. In the delivery of bread they now offer to the housewife at her door cakes and buns and various kinds of pastry—I do not know about pastry—but cakes and pies?—A. Yes.

Q. Now, when bakers are figuring the cost of the distribution of bread do they absorb any loss that may be made on these specials into the cost of the delivery of the bread?—A. I cannot answer that other than as the operator of a business, and I would say it must be absorbed somewhere in the net operating returns.

Q. In other words, when they express the view that the cost of delivering has gone up because of the demand for services by the public, it may be merely a different way of saying that they absorb a loss on these specials into the cost of the delivery of the bread?—A. That offers a very contentious point, honourable sir: did the public demand these increased services?

Q. I think they were offered by themselves.—A. They were offered to them because formerly—as I say, I am not a baker; I am a flour miller; and I can only observe, but in my observations I have noticed that where formerly these baker waggons were leaving at a certain hour in the morning and returning at 5 or 5.30 in the evening, these baker waggons are returning much earlier now than they did before, because the housewife—when I say the housewife, I mean that she has been offered her bread delivered in the morning. Suppose I am operating a waggon in Brantford and I am serving a certain number of streets in the afternoon, and one of my competitors comes along after I have served one of my customers and says, "Now, Mr. Smith, instead of getting your bread in the afternoon when you may be playing bridge or something else, if you take it from me I will guarantee delivery in the morning," and it is not at all improbable that she will say, "That is a good idea; I will get my bread delivered to me in the morning." The result is that we have increased bread routes and those particular routes are not earning what they were before because of the fact that the output per waggon, or the sale per waggon, is less than it was formerly when that particular waggon could work alone.

*By Mr. Parry:*

Q. Because the driver has become a salesman instead of a mere delivery agent; is that it?—A. It is because I have been forced to meet the competition of one of the other units to get my bread to the housewife earlier than previously.

*By Mr. Factor:*

Q. What is the system adopted in paying the drivers?—A. I cannot answer that, sir.

"Page 37: It is not a high weekly wage that raises the distribution cost per pound of bread; it is the excessive duplication of bakery routes and the requirements that the man who delivers the bread shall spend a large portion of his time selling other things which are more difficult to sell and canvassing new customers for his firm."

Mr. BOULANGER: What is meant by "other things"?

The CHAIRMAN: Cakes and buns and pies.

The WITNESS: These are all in the Robertson report; they are not my statement.



Mr. PARRY: And fancy breads of course that have developed?

The WITNESS: I believe you have raised a point there that is a contentious one; the sale of pies and cakes may have cut down the consumption of bread.

"Page 40: One effect of this factor of surplus capacity which has a bearing on the present enquiry is that it keeps before the management the constant necessity of increasing sales and thereby leads to the aggressive sales policies which add so materially to the cost and benefit the general public so little."

The CHAIRMAN: You are still quoting from the Robertson report?

The WITNESS: Yes.

"Page 47: At the same time the predominant position of these flour milling companies in the baking industry and the possibility of monopoly and price enhancement which are theirs are such as to warrant governmental interest in the situation and, should the need arise, further governmental action on behalf of the consuming public."

"It would appear from this concluding paragraph that the chief concern in the minds of the committee at the time was the possibility of a monopoly leading to artificial price enhancement. It was not to be expected that the committee could discern a period in which generally recognized fundamental economic laws would be suspended in a manner which would allow the inherent weaknesses of the mill—bakery combination to be protected to the point where it would represent a menace to the whole baking industry—not in the form of price enhancement, but as a major influence in precipitating and maintaining thereafter an unhealthy condition throughout the baking industry."

Mr. PARRY: When you use the word "committee" you are referring to the registrar?

The WITNESS: Yes.

"At this point may I suggest to you the advisability of determining to what extent:—

1. The mills owning bakeries sold flour to chain store bread producers and independent bakeries at prices inconsistent with the said mills' replacement costs."

Mr. PARRY: You are suggesting there that it might be possible that the chain stores were put on their feet by sales to them at less than cost prices from the large bakers?

Mr. YOUNG: You do not mean that these mills who own bakeries of their own will sell flour at less than cost to their competitors who are going to undersell them on the bread market?

The WITNESS: I am suggesting that you obtain that information. We have reason to believe that it happens.

Mr. YOUNG: Would you do it in your business?

The WITNESS: I certainly would.

The CHAIRMAN: You run against that in your competition?

The WITNESS: Yes.

Mr. FACTOR: What purpose would be served by the mill-baker doing that?

The WITNESS: May I just continue.

"2. The relative price charged the mill controlled and publicly financed bakery subsidiaries for the same grade of flour under similar market and terms of sale.

3. The conditions under which the mill-controlled bakeries offered and sold bakery products to chain stores not producing their own bread, thereby precipitating still further reductions in retail bread prices.



"If this discloses, as I anticipate it will, that such a sales policy was practised by certain mills owning bakeries, it would mean in effect that these mills were *setting up* and *subsidizing* unprofitable competition against *their own* controlled making subsidiaries, to say nothing of the disturbing influence which this directly exerted upon the price situation throughout the trade.

This is proof that the increasing employment of capital in the fixed investments of a given over expanded industry tends to intensify competition in that industry by removing a large degree of its flexibility to control capital costs and thus influence the management to strive for *capacity* production, regardless of market conditions and with little or no hope of earning a profit. Such operations are *demoralizing* to industry and warrant some means whereby they may be *definitely controlled*.

Based upon the foregoing, I submit that the mill-bakery combination has been largely *responsible* for throwing the bakery structure *out of balance* and the industry as a unit into a state of unprofitable disorder. This is tantamount to stating that to operate successfully, the mill-bakery combination must rest on a foundation economically *unsound* and therefore inherently unhealthy to industry and the consuming public.

### *In Summary*

It is my considered opinion and personal conviction that the entry of the chain store companies as bread producers and the efforts of the resourceful, independent bakers, prevented that which had every indication of becoming a complete monopoly of the bakery business in the hands of a few large milling units.

The picture of the baking industry which you discern to-day is largely the result of liquidating and clearing away the wreckage of this admittedly unfortunate attempt, both economically and socially, on the part of the large milling units to wage their merchandising warfare on the baking rather than on their own field of flour distribution.

### *In Conclusion*

You may ask: What is the solution?

The answer is a simple one. Either the mill-bakery threat to the baking industry continues until twenty-seven hundred odd independent bakery units and all those dependent thereon have been slowly squeezed to the point of complete extermination at a staggering cost to be paid ultimately by the consuming public, or immediate steps must be taken to counteract its power as a disturbing adverse influence in our economic system.

The procedure to be followed should be evolved by a group of experts, qualified by experience and recognized ability to intelligently study all the various and intricate problems involved.

If the baking industry is to contribute its share of stability to our economic system, the solution must satisfy the following major requirements, among others:

1. The baking industry must be restored to its status as a local, independently operated business, with the utmost dispatch consistent with the minimum disruption to the industry's normal activities."

### *By the Chairman:*

Q. Now, Mr. Pinchin, I gather that you are strongly of the opinion that there should be a complete divorcement of the milling industry from the baking industry?—A. Yes, sir.

Q. And you say that as an experienced operator in the flour milling industry?—A. Yes, sir.

*By Mr. Parry:*

Q. You are not going to suggest how it should be done, you leave that to the committee, I suppose?—A. I suggest that it should be evolved by a group of experts qualified by experience and recognized ability to intelligently study all the various and intricate problems involved.

Q. That is the committee, of course?—A. With the assistance of outstanding practical men who are engaged in the baking industry.

*By Mr. Edwards:*

Q. Practical men, not theoretical?—A. Practical men, men who have made a success of their business.

*By Mr. Kennedy (Winnipeg):*

Q. Not so much outstanding as practical?—A. I quote the two of them, because a man to be outstanding has to be practical.

Q. Not always, very often it is not.

The CHAIRMAN: All right, go ahead.

The WITNESS:

"2. There must be, ultimately, a *complete severance* of any direct connection between mills and bakeries which has had in the past or may have in the future the effect of controlling bakery operating policies or supplying financial backing to an individual unit inconsistent with its relative size and resources when compared to the local units with whom it may be in direct competition.

3. Mill—bakery subsidiaries should not be allowed to dispose of existing plants or rent same at a nominal charge, to be operated by new tenants or owners, except on a basis which represents a capital investment at least relative to the independent units tributary thereto. Failing this, due consideration should be given to a policy of permanently dismantling such plants as they fall back on the market."

*By Mr. Parry:*

Q. I would like to see that developed, Mr. Pinchin. You are suggesting that because of plans being abandoned voluntarily by some of the large bakeries, and revalued or written down to nominal figures, that that is not fair competition to local bakeries; is that correct?—A. Yes.

*By the Chairman:*

Q. Is that actually being done?—A. Yes.

*By Mr. Parry:*

Q. Can you give us some concrete illustrations of that particular thing?—A. In Orillia the Dominion Bakery there is now being operated by an independent—and again it is second-hand information—but it is reported to me that that baker has not paid a dollar of rent, and any time that the owners of that plant ask him for his rent, he will pick up his bag and leave; in the meantime you have a situation in Orillia which is terrible.

Q. Are the owners of the plant the milling company?—A. Yes, sir. He is using the plant and using the mill's flour. I do not know anything about the arrangement between them, but it is reported that he has not paid a cent of rent for that building.

*By Mr. Factor:*

Q. Is that baker cutting the price of bread in Orillia?—A. I do not know the facts, but the bakers there blame him for it. I want to answer your question

in this way: we are not prepared to sell any flour in the town of Orillia to these bakeries, because we are afraid of the whole situation; they have been undermined to the point where most of their financial resources are gone.

*By Mr. Parry:*

Q. Because of the fact that he does not pay any rent he can certainly afford to do his work on the market?—A. He can stand that better than the other fellow who has fixed charges in his own plant.

Q. I understand that that condition applies to many other towns in Ontario? —A. I have heard it, sir.

*By Mr. Factor:*

Q. That is making conditions worse?—A. Yes.

*By Mr. Parry:*

Q. He is making use of the other fellow's capital investment?—A. Yes. As a matter of fact that plant should be closed, because I think it is about the dirtiest place you would want to look into; and yet it was one of the most model baking plants north of Toronto.

*By the Chairman:*

Q. Badly run down and poorly kept?—A. Just dirt.

"4. Capital reorganization of mill—bakery subsidiaries designed to reduce fixed interest and depreciation charges for the purpose of securing an operating advantage over the independent units tributary thereto, should not be permitted."

*By Mr. Parry:*

Q. Have you any illustrations where that has been contemplated, the writing down of capital to put themselves at an advantage over the general independent?—A. I will read from a newspaper clipping.

*By the Chairman:*

Q. What is the paper?—A. I am sorry, it is not marked. I will read from this report: in explaining the proposed balance sheet the President says in part, at the time of the issue of the shares of your company the consideration received by it for the issue of the purchased shares, they were fixed at an amount of \$7,382,175; which figure represent the cost to your company of the assets acquired, and also the amount of its issued share of capital. Having regard to the general shrinkage in values, your directors are of the opinion that it is inadvisable to continue carrying the capital shares of the company in the books at the figure above mentioned, particularly by reason of the fact that the assets of the company are carried at such a figure as to require a very large amount to be provided each year out of earnings to cover depreciation. As a result the capital was cut down, I think, to something like \$3,500,000.

Q. Why would you withhold from the milling and baking companies the right to do what any other company would do under similar circumstances? —A. I will answer that by saying, it is defying sound, economic lines; and the independents with \$200,000, \$300,000 \$400,000, \$500,000, or \$600,000 invested in its plants—how can he do that. It is his own capital he has to write down, whereas with the others it is the public's capital; and that amount of money has been spent—I do not say in this particular case—but I think it is a fact that it has been spent, and they are taking business away from that independence, so that they would control that outlet for bread; or from the milling point of view, flour.



*By Mr. Young:*

Q. But the money has been lost?—A. The money has been lost.

Q. Why should he continue to value his plant at more than it is worth?—A. You are quite right, sir; but then, what is the effect that that is having on the baking industry of the company?

Mr. PARRY: Would not that be similar in effect in any other business, where it has been necessary to write down capital? I suggest that you are on rather weak ground in making that recommendation, I do not know where you will enlist support for it.

Mr. EDWARDS: Is it not a fact that that write-down of capital was a write-down of "water."

The CHAIRMAN: As a matter of fact, in this case from which Mr. Pinchin quotes, this President—John Turner—distinctly says that, "Your company at the time of the issue of the shares to your company, the consideration received by it for the issue of these shares was fixed at the amount of \$7,382,000, which figures represent the cost to your company of the assets required, and also the amount of this issued share capital."

Mr. FACTOR: That is the "water."

The CHAIRMAN: It looks as if the capital structure was not based upon the value of its assets, but on that plus the share capital. Now, just a moment; this having appeared in the public press, there would seem to be no objection to mentioning the name—it is Consolidated Bakeries.

*By Mr. Factor:*

Q. Is that an independent concern?—A. Yes.

*By Mr. Edwards:*

Q. Is that what is known as Ontario Bakeries?—A. No, sir.

Q. That is a different concern?—A. Yes.

*By the Chairman:*

Q. But your point is, that in these reorganization operations, they should not be permitted to write them down?—A. I do not say that they should not be written down, but it is not correcting an inherent weakness in the milling-baking industry to-day; should not that be the dominating consideration in trying to arrive at a solution of our difficulties.

The CHAIRMAN: Yes, but if this company in the first place pumped a considerable amount of water into its capital structure above the assets represented, is it not a healthy thing that it should reduce its capital down to a value which has a reasonable relation to its assets?

*By Mr. Parry:*

Q. The only alternative would be bankruptcy, as a matter of fact, wouldn't it?—A. That is quite right; but then you are giving that unit an advantage over the independent, which seems to be a little bit unfair.

Q. Have you any other examples?—A. On February 2 there appeared in the Toronto Press. I have a clipping here entitled "Canada Bread over-capitalized"; and the President of that company goes on to say that the company had an investment in plant not used of \$44,000, and in land of \$197,000, which it is proposed to sell. Further down the report continues, some of the plants have shown material losses for the past three or four years, and there is little question but that something will have to be done in the very near future; notwithstanding an actual write-down of values of \$1,000,000 to \$3,000,000, assets still stand at \$2,000,000 to \$3,000,000. He goes on to say that the value

of sales for the six months ending December 31, 1933, have shown an increase over the six-month period ending December 31, 1932. But the point there is, I do not know what they are going to propose to do with that unit, but this parent company which controls that—there is an article in the Mail and Empire of April 28, in which they are to reorganize that milling company.

*By the Chairman:*

Q. That is a Canadian company?—A. The Maple Leaf Milling Company. They have increased the sales in that period, and yet there has been a loss on it. They may distribute that on the flour direct; on the other hand, you see their bakery wagons all over the country. I see them almost every time I go to Toronto, several miles outside of the city. I do not know if it can be done profitably; I do not think I could, and I do not think they do it.

Q. All right, Number 5.

The WITNESS:

"5. Uniform wage scales and conditions of employment should be established at levels considered fair and in keeping with recognized standards of living. These should be fixed by law and rigidly enforced."

*By Mr. Factor:*

Q. Have you any information as to the rates of wages paid in bakeries?—A. No, sir.

*By Mr. Edwards:*

Q. Will you suggest a minimum wage for men?—A. With qualifications?

Q. Something of the kind must be done?—A. Yes. In other words, the wage item is such a factor in our economic structure, that I do not think it should be used as a method of competing one unit against another. In other words, when you come down to the human element, and apply that so that your employers take advantage of that, then I think the industry is only hurting itself because it is impairing purchasing power. That is a very broad subject.

*By the Chairman:*

Q. Have you any knowledge of the case where one of these mill-controlled bakeries went into a town and by competition forced down the wages of competing bakeries?—A. I think that situation exists right in my own town of Midland.

*By Mr. Factor:*

Q. You mean, mill-controlled bakeries paid a lower scale?—A. No, I mean through their activities.

The CHAIRMAN: Ruthless competition.

The WITNESS: Through ruthless competition, forcing other units there to reduce the rate paid to their employees.

"6. No attempt should be made to arbitrarily impose on the baking industry throughout Canada one set of rules and regulations, likely to have the effect of suppressing free and healthy competition among all units."

To set up a central authority and lay down certain rules and regulations, that all the members in the baking industry must do so and so; I do not think the baking industry lends itself to that.

*By Mr. Boulanger:*

Q. Does that mean price maintenance?—A. Yes, sir.



*By the Chairman:*

Q. You are opposed to that?—A. Yes, sir.

"7. Trade associations with small local units should be encouraged, to which all members should belong. If the real purpose of these groups is to secure co-operation on questions pertaining to quality, increased consumption, efficiency, cost-accounting, fair trade practices and the observance of sound economic laws, it will give to the industry that necessary flexibility required to effect quick adjustments wherever needed, thereby maintaining equilibrium throughout the entire baking."

*By Mr. Parry:*

Q. What do you mean by that word "should" in there in the second line; are you going to make it compulsory?—A. I think they would voluntarily belong to these associations.

"8. The fixation of prices, *whenever* considered in the interest of the trade and the consuming public, should be confined strictly to an established minimum, based upon the cost of the efficient operator and not upon an artificially supported selling price, designed to protect the high cost or inefficient producer or trader.

Except as I may be called upon to explain any part of the foregoing or answer any questions of which I may be capable, this completes my observations as I discern them and the opinions which I hold of the effect on our economic structure of mills owning and operating bakeries."

*By Mr. Young:*

Q. There is something about baking capacity: I go down the street here and I see a bake-shop with an oven in the window. At a certain hour in the day that oven is operating, but later in the day it is not operating. By the capacity of a bakery, do you mean the capacity of that oven if worked 24 hours a day?—A. I could not answer that.

Q. That would be a very small capacity?—A. Yes, if that bakery is installed right in the window, I would say that they are what is known as window bakers.

*By Mr. Young:*

Q. What I want to get at is, when you speak of the capacity of bakeries, do you mean their capacity to turn out bread if they keep their ovens going all of the time?—A. I could not answer that, I would say, no. I do not think they calculate capacity on the 24-hour production in a bakery.

*By Mr. Factor:*

Q. What basis is used in that report?—A. I do not know, that should be answered by a baker.

*By Mr. Parry:*

Q. In Midland, or in the vicinity of your community, have you come in contact with the problem of the supplies of bread being manufactured at distant points and brought into the community in competition with local bakers?—A. With the chain stores handling bread there the bread is being delivered—or was—by the Dominion Bakers in Orillia. They would send a truck over to Midland and supply the chain stores there.

Q. They supplied one of the chain stores from Orillia?—A. That does not exist to-day, because as I told you that particular Dominion Bakery unit is not being operated by the milling company in question.



Q. But have you met that phase of the problem in your experience?—A. That bread is being delivered long distances—yes.

*By Mr. Edwards:*

Q. Bread is shipped by express, of course?—A. And by truck.

*By Mr. Kennedy (Peace River):*

Q. Dealing with this question of milling capacity: most of the mills are up-to-date; or are some of them getting to the point where they are apt to be discarded in the near future; is there likely to be an adjustment of this position?—A. I cannot really answer that question, sir. I would say, generally speaking, that the mills are very efficient.

The CHAIRMAN: Well, gentlemen, it is nearly one o'clock; we will come back at 3.30.

The Committee adjourned at 12.55 p.m., to meet again this day at 3.30 p.m.

### AFTERNOON SITTING

The Committee resumed at 3.30 p.m.

The CHAIRMAN: We will call Mr. Jetté.

J. JETTÉ, called and sworn.

*By Mr. Parry:*

Q. Mr. Jetté, you are president and general manager of Caron Limitée, a baking concern, carrying on business in the city of Montreal?—A. Yes.

Q. And I understand from you that your bakery has seventy routes?—A. Yes.

Q. And is, therefore, a large organization?—A. Yes.

Q. And you are here to-day representing a number of French Canadian bakers?—A. Yes, sir.

Q. And you appear before the committee on their behalf and at their request to make certain presentations concerning the bakery situation in the city of Montreal?—A. Yes, sir.

Q. Will you just proceed with your presentation?—A. At the beginning I thank the government for giving an opportunity to bakers to make their complaint against chain bakeries and chain stores, but as I was advised last Friday that I was to have something to say here, I have just a small report on my salaries and on my operations. My salary is poor as you can see by my sheet.

Q. You refer to the wages you pay to your helpers?—A. To the bakers, because to my bakers I pay \$15 a week.

Q. And you are presenting with your brief a statement of the wages you pay in your plant?—A. Yes, sir. The reason is we had to pay our men less at the end of the year.

The CHAIRMAN: We will print the statement with your evidence.

*By Mr. Parry:*

Q. Now, this statement reveals, if I might interpret it for you, that you have analyzed the costs of your 1½-pound loaf, the cost of production being 0.0684 and out of that you made 0.64 cents?—A. Yes.

Q. The average selling price was 7.02 cents?—A. Yes, that is it.

Q. And since the new reduction of February 1, 1934, you are now only receiving 6.13 cents whereas your cost of production is 6.84?—A. Yes.

Q. With the result that your particular firm, which is a large one, employing forty-one persons inside help and seventy-seven inspectors and salesmen-carriers and ten women in the pastry shop and office and store have all had to take a real reduction in salaries or wages paid to them for their work?—A. That is it.

Q. Because of the price you are getting for your bread in Montreal. And you are suggesting as well that the French Canadian bakeries whom you represent are all suffering from the same condition?—A. Yes.

Q. And in your brief you have set forth the grounds of your complaint and why salaries have been reduced. Just proceed.—A. The bakery trade, in my opinion, should be operated by individuals or private companies, but not by milling companies, because in this industry, the leaders must know themselves the needs of individuals and collectivities, which could never be realized by chain bakery. I believe the bakery trade will never be normal as long as it stays in the hands of organizations who do not know the populations they serve. In Montreal, where the fight of milling companies—I put in this category the Frontenac Bakery which is controlled by Mr. Dussault—against independent bakeries has been and will continue to be active, numerous bakers, born in our city, having raised a family here, having contributed to all our developments, having participated to the construction of our schools, hospitals, churches, having thereby served the interests of the province, have to-day disappeared. And those who still survive, will inevitably disappear themselves within a short time if we do not put a stop, and very soon, to the illogical and guilty competition made to the independent bakeries by chains of bakeries, belonging, in reality, to the most important milling companies.

It is certain that the bakeries operated by milling companies can, in certain parts of the country, make the fight absolutely unbearable for the independent bakers—in other centres, realize very substantial benefits and arrive at a total, at the end of the year, and very satisfactory results due to their strong production and to their immense buying power.

Everywhere, when the chain of bakeries want to start the fight and oppress the local independent bakers, they can do it and very easily ruin and crush any private initiative.

The bakery trade is a trade that should always be considered as a local trade, the merchandise sold should not be carried out or exported, because the bread has to be sold daily.

The bread being a perishable product, cannot, if it is manufactured by chains of bakeries and sent in other cities than where it is cooked, keep its hygienic, nutritive nature until consumed.

The bakery cannot be considered as a manufacturer offering on the market products such as other industries can manufacture, industries having branches in many parts of the country and who sell their production at a uniform price. The bakery trade must absolutely be local and its conditions depend only on local circumstances.

In conclusion, I suggest:—

1. the regulation of working hours in the bakery industry;
2. the regulation of the number of apprentice employees;
3. that the bakers be allowed a profit of 10 per cent, after counting all expenses and depreciations;
4. the regulation of salaries and the setting of a minimum salary;
5. the fixation of a wholesale minimum and maximum price, as well as the fixation of a retail minimum and maximum price.

*By the Chairman:*

Q. Now, Mr. Jetté, your chief point is that the very existence of the independent baker is now threatened, on the one hand, by the chain bakery under the control of the millers and the bread sold through chain stores?—

A. Mr. Stevens, I prefer to give you an answer through a translator.

The CHAIRMAN: Perhaps Mr. Boulanger would act as your interpreter.

(Questions and answers given in the French language are translated by Mr. Boulanger.)

The CHAIRMAN: I will repeat my question. Your chief point is that the very existence of the independent bakery is now threatened, on the one hand, by the chain bakery under the control of the mills and the bread sold through the chain stores?

The WITNESS: That is exactly it.

*By Mr. Young:*

Q. What do you want 10 per cent on—on your product or on your investment?—A. On the invested capital.

*By Mr. Kennedy (Peace River):*

Q. What are the working hours of your staff?—A. The working hours have been increased due to certain conditions. At the present time the average working hours are 10 or 12 hours.

The CHAIRMAN: And the wages have ben decreased?

The WITNESS: Yes.

*By Mr. Parry:*

Q. To what prices were the retail prices of bread reduced in Montreal?—A. Since January, 1933, prices have changed very often due to the intervention of bakery chains and the war between the different chains.

*By Mr. Baribeau:*

Q. Can you tell this committee how long this competition has existed?—A. Since last June, especially.

Q. 1933?—A. Yes, 1933.

Q. What wages do you pay to your apprentices?—A. Bakers' apprentices, \$8 a week.

Q. What is the percentage?—A. Eight on a total of 22 employees.

Q. Is that the same proportion in all bakeries?—A. It is higher in our own bakery.

*By Mr. Parry:*

Q. How low did the price of bread go in Montreal?—A. Three cents.

Q. What was the weight?—A. A pound and a half.

Q. Who were selling it at that price?—A. Brosseau, Sanché and Frontenac Bakeries.

Q. Are those what you would call chain bakeries?—A. Yes, the first and second one is chain bakeries.

Q. Brosseau and Sanché?—A. Yes, Brosseau and Sanché.

Q. Mill-controlled bakeries?—A. Mill-controlled.

Q. Who controls Brosseau's?—A. Western Canada.

Q. Who controls the other one?—A. Dussault. Mr. Dussault was a travelling salesman.

Q. For what firm?—A. I am not sure.

Q. Is that condition any better to-day?—A. No.



Q. And you are still selling bread below the cost to you?—A. I figure on my price I cannot go lower than 5 cents. I will take 5 cents since the competitors sell for 4½. The lowest price I sell is 5 cents.

*By Mr. Baribeau:*

Q. What is the cost of distribution per loaf in the city of Montreal?—A. 2·2 cents.

*By Mr. Young:*

Q. Is this cheap bread being delivered at that price?—A. Yes, the same as the other one.

The CHAIRMAN: Do you wish to say anything further?

The WITNESS: No, sir.

Witness dismissed.

Mr. W. H. HARRISON, called and sworn.

Mr. G. E. HARRISON, called and sworn.

*By Mr. Parry:*

(To Mr. W. H. Harrison):

Q. You and your brother are carrying on business in the city of Montreal under the firm name of Harrison Brothers Limited?—A. We are.

Q. And you have been carrying on for some years?—A. Since 1930.

Q. And prior to that time you were engaged in the baking business under another firm name for a number of years?—A. That is right.

Q. What was the firm?—A. Our old firm? Dent, Harrison & Sons Limited.

Q. Which was taken over and absorbed by what company?—A. The Northern Bakeries.

Q. And in 1930 you organized your own company?—A. Yes.

Q. How many routes have you in the city of Montreal?—A. Seventy-six.

Q. How far out of the city does your delivery system go?—A. Our regular routes cover a radius of 25 miles.

Q. On the island?—A. On the island.

Q. On the island entirely?—A. Yes.

Q. Now, you have heard the evidence that was given by the last witness dealing with the price of bread in Montreal?—A. Yes.

Q. And your experience as in immediate distributor dates from 1930?—A. Yes.

Q. Will you tell the committee briefly the development that has taken place from 1930 up to the present time in the wholesale and retail price of bread?—A. Well, to me the chain store has been a big factor in the distribution of bread in the conditions outlined by the previous speaker. In 1930 the retail price of bread was 12 cents.

The CHAIRMAN: What size loaf was that?

The WITNESS: A pound and a half. It was being distributed by the chain stores at 10 cents.

*By Mr. Parry:*

Q. What effect had that generally on prices in Montreal?—A. It tended to reduce prices, as I will illustrate.

*By Mr. Factor:*

Q. When you were selling the loaf at 12 cents, what was the cost of production on that loaf?—A. I could hardly answer that question because we had only organized and started in business.

*By Mr. Parry:*

Q. I will develop that later. You were telling us that the prices were reduced by the chain stores to 10 cents. Did they go any lower?—A. Yes, they did. I have an exhibit here of June 5, 1930 which shows the retail price of chain store bread at 10 cents. I have another one of the same date, June 5, 1930, that shows the price of bread at 8 cents by another chain store on the same day.

Q. Would it be the same quality of loaf?—A. It says, "full weight baker's bread, 8 cents equal to any 12 cent bread on the market."

Q. And the chain store was selling for 8 cents what they claimed to be equal to any 12 cent loaf on the market.

Mr. FACTOR: That does not necessarily mean it was the same quality.

The CHAIRMAN: I presume that is evidence of the lost leader practice we heard so much about.

Mr. PARRY: Just proceed. I want to get the whole picture down to to-day as rapidly as I can.

The WITNESS: The prices were reduced gradually down to—following through 1931 and 1932—6 cents a loaf.

Mr. PARRY: The retail distribution price?

The WITNESS: Yes.

*By the Chairman:*

Q. Is that a chain store you are quoting?—A. Yes, a chain store.

Q. Have you got another ad?—A. I have not.

Q. Your statement is that the chain stores then dropped the price to 6 cents in 1932?—A. Yes. This had a serious effect on the bakers, and to hold their business—speaking for ourselves we put a loaf on the market to compete with that price of 6 cents.

Q. Did you have to change the weight, or how did you make it?—A. There is a standard weight.

Mr. BOULANGER: It is fixed by law.

The WITNESS: It is fixed by law.

The CHAIRMAN: Did you meet the price of 6 cents?

The WITNESS: Yes, we met the price of 6 cents of the chain store.

Mr. YOUNG: What change did you make in the loaf. You said you had to put a loaf on the market to meet theirs.

The WITNESS: We had to cut quality.

The CHAIRMAN: You had to cut the quality?

Mr. YOUNG: Did you do that by putting in cheaper flour, or how did you do it?

The WITNESS: We had to use cheaper flour and eliminate some of the ingredients.

*By Mr. Parry:*

Q. Was that the development of the second quality loaf?—A. That was the development in Montreal of the second quality loaf.

Q. Were you meeting the competition of the second quality loaf or the first that the chains were selling at a loss?—A. It was a good quality bread they were selling.

Q. Then you will say they were selling it at a loss at that time?—A. I would say so.

*By Mr. Factor:*

Q. How did you meet competition of the first quality loaf with a second quality loaf? You say the chain stores were selling a good quality of bread and

yours was a second quality; how did you succeed in meeting competition that way?—A. In the price. We put out a second quality to meet the 6 cent price of the chain stores.

Q. Was the quality of the chain store bread better than yours or not?—A. No, I would not say it was.

*By the Chairman:*

Q. I suppose, Mr. Harrison, that bread does vary in its quality with different bakers?—A. Yes, it does.

Q. And now, you say you had to turn out a loaf—I will not make that suggestion—but what did you do? Correct me if I am wrong—did you eliminate some of the fats and milk and other ingredients of that character?—A. Yes, we reduced our formula.

Q. And was it evident to you that your competitors did likewise?—A. Yes, they did.

Mr. PARRY: So that you were meeting the lowering of quality with lowering in quality yourself.

Mr. YOUNG: What is the difference in the price between the good flour you used in the making of the first loaf and the inferior flour you used in the making of the second loaf?

Mr. G. E. HARRISON: To-day?

Mr. YOUNG: When you made this change.

*By the Chairman:*

Q. I suppose the cheap costs in these things are the high prices ingredients—the fats and milk and other ingredients—rather than the flour?—A. Yes.

Mr. YOUNG: Do you mean that the flour is the cheapest product—the cheapest ingredient in the bread?

Mr. G. E. HARRISON: Not in the total cost.

*By Mr. Parry:*

Q. You have in your bread other ingredients than flour?—A. Yes.

Q. What is the relative proportion in regard to cost of the flour used and the other ingredients; is the flour greater?

Mr. G. E. HARRISON: Yes. Flour is a little greater than the other ingredients.

*By Mr. Parry:*

(To Mr. W. H. Harrison):

Q. Than the other ingredients combined?—A. A fraction of a cent more.

*By Mr. Edwards:*

Q. Did you reduce your wages?—A. No, we have not reduced their wages; we have absorbed the loss up until now, but we cannot carry on indefinitely.

Mr. PARRY: You have been losing money on your bread that is being distributed up to the present, but you have continued your wages, and you say you cannot continue to absorb that indefinitely.

Mr. YOUNG: In the beginning of 1930 the price of 12 cents a loaf. A few years afterwards it was six cents a loaf. Now, if my memory served me right, the price of wheat dropped from somewhere around one dollar on the farm, to somewhere in the neighbourhood of 30 cents; would not that make a sufficient reduction in the price of your flour to enable you to cut your price? Does the price of flour not fluctuate with the price of wheat?



Mr. G. E. HARRISON: I am not in a position to answer that. We did get a reduction in flour, and that was passed on by a drop in price when it dropped to ten cents.

Mr. YOUNG: Then there was a further reduction from ten cents to six cents; was that all absorbed in the price.

Mr. W. H. HARRISON: When the price drops from 10 cents to 6 cents we have to make a change in the ingredients.

Mr. YOUNG: And you did that by putting in cheaper flour, but you do not know how much cheaper?

Mr. W. H. HARRISON: I do not know how much cheaper it was at that time.

*By Mr. Parry: (to Mr. W. H. Harrison):*

Q. What is the weight of a barrel of flour?—A. 196 lbs.

Q. And how many loaves do you get from a barrel of flour?—A. 196 loaves.

Q. And I understand that you figure that the price of your bread is affected one-half cent if the price of flour drops 90 cents?—A. Right.

Q. And that is the general formula you use; when the price of flour is increased or lowered 90 cents the effect comes to half a cent?—A. Half a cent.

Q. Where do the chain stores buy their bread?

Mr. G. E. HARRISON: With one exception from the larger bakeries, one chain store operates its own bakery. The others buy from the larger bakery.

*By Mr. Parry (to Mr. W. H. Harrison):*

Q. What have you to say as to the effect of chain store competition on your business as a baker, and the price at which the chain store sells bread being the same as your distributing price?—A. I think it is the cost at which stores distribute bread to the home.

Q. Because they distribute bread to the home?—A. Yes.

Q. Is that a recent practice?—A. Yes, that is within recent years.

Q. Most of them deliver, in other words?—A. They advertise the fact that they deliver. There is another chain that has opened up a new bakery, I should say a chain of independent stores opened up a bakery, to supply their own stores, and recently they have started in a delivery system the same as the bakers. There was a demand for deliveries to the homes.

Q. And you say that there is a predominant demand for the delivery of bread to the homes, which is being met by the chain stores by extending their delivery service?—A. I think that is the answer, the chain stores going into deliveries.

Q. Have you any suggestions to make to this committee that would deal with the present situation as it is affecting the Montreal baking industry?—A. I think if the practice of contracts with chain stores were eliminated, that would help; and if the chain stores were charged for bread a price consistent with cost, this trouble would be avoided.

Q. What do you mean by the contracts of chain stores being eliminated?—A. Generally speaking the chain stores ask for contracts on bread.

Q. Long or short term?—A. Six months.

Q. And do you think that is too long a term for a bread contract?—A. I do.

Q. It gives them an advantage against you, you think?—A. They have a contract for six months, they can be sure of maintaining that price, irrespective of how conditions may change in the baking industry in the meantime.

*By Mr. Boulanger (to Mr. W. H. Harrison):*

Q. Do the chain stores ask for a price concession in making these contracts with the bakeries?—A. I would not call it a discount—it is a straight price, considerably cheaper than the price to the independent store.

The CHAIRMAN: They got a contract price for a large quantity delivered to their various stores, that is really what it amounts to, and this contract price in your opinion—

Mr. W. H. HARRISON: Is detrimental to the trade, because they have a contract enabling them to sell bread at 6 cents, and they know that they can sell bread at 6 cents for six months.

*By Mr. Factor (to Mr. W. H. Harrison):*

Q. Does that mean a profit or a loss on the chain stores?—A. Sometimes they have made a profit; other times they have had to sell it at a loss, they have gone lower than 6 cents.

The CHAIRMAN: Give us those first two advertisements that you quoted in support of this unfair competition; and then quote any others that you wish to put with them. We will keep them altogether here.

Mr. W. H. HARRISON: On October 12, 1933, the chain store price had been increased to a price of 8 cents to the chain store, and also for the baker delivered price. November 6, 1933, one chain came out with a combination offer of a loaf of bread and a quart of milk for eleven cents, a value of 20 cents.

Mr. FACTOR: What was the milk worth?

Mr. BOULANGER: Ten cents.

Mr. FACTOR: That is practically giving it away.

Mr. W. H. HARRISON: November 6, 1933, on the same date another chain store announced a special price of bread, 5 cents.

*By Mr. Factor (to Mr. W. H. Harrison):*

Q. They were losing money at that price, that was a real loss leader?—

A. That was a loss leader.

*By the Chairman (to Mr. W. H. Harrison):*

Q. Have you many of these ads?—A. Yes, sir.

Q. Let us have them.

*By Mr. Young (to Mr. G. E. Harrison):*

Q. Can you tell us what would be the cost of these ingredients in a 5 cent loaf?—A. Approximately 3 cents—2.8 cents to 3 cents.

Q. And the other 2 cents would have to cover the cost of making and delivery?—A. Right.

Mr. W. H. HARRISON: This 5 cent price here on the same date was a change over the week-end from 8 cents; their price and the baker's price 5 cents—was a drop of 3 cents.

Mr. PARRY: That might account for some of that 3½ cent bread, that Mr. Jetté was speaking about?

Mr. W. H. HARRISON: That is what I am coming to. That has forced the level down right along the line. There is another one here, on this quotation milk would be at a price here of 6 cents—that was on the same day—that would allow milk at 4 cents, and bread at 6 cents; a combination offer. Here is another one here, a chain that put a combination offer out—if the other chain came out at 5 cents, they have both a combination offer and bread at 5 cents.

The CHAIRMAN: That is cut-throat competition between the chains which kept beating these prices down?

Mr. W. H. HARRISON: Beating it down; one came out with one offer and the other with something different. The unfortunate part of that is that the bread with the exception of one chain, as I said, which has been supplied by the bakeries.

Mr. FACTOR: I didn't get that?

Mr. W. H. HARRISON: I say, the unfortunate part of it was that this drop under this competition all this bread was supplied to the stores by bakers, with one exception.

Mr. G. E. HARRISON: There is one baker in Montreal who used to make their own bread, have closed up their shop, and are buying from bakers to-day.

Mr. FACTOR: Is that a mill controlled baker, or an independent?

Mr. W. H. HARRISON: Mill controlled.

The CHAIRMAN: That is, the mill controlled baker is selling from the other bakers.

Mr. W. H. HARRISON: The chain store closed up their bakery, and bought the mill controlled baker. I might say that as far as I know the chain sold that bread for less than 5 cents, that was less than they were paying the baker for it.

The CHAIRMAN: Is there any possibility that the chain store by competition might completely eliminate the delivery of bread by bakeries and take their place?

Mr. W. H. HARRISON: The way the trend was going all I can say is that the competition was serious.

*By Mr. Parry (to W. H. Harrison):*

Q. As a matter of fact, you have told us that they are delivering?—A. They are delivering now.

Q. And what character of delivery service do they put up against your wagons?—A. Principally boys with bicycles or small carts, with the exception of the chain I mentioned.

The CHAIRMAN: That system of delivery could not possibly take the place of your door to door delivery, could it?

Mr. W. H. HARRISON: In some cases they get better service. A customer phones to the grocery and wants a loaf of bread right away and she can get it. It is hard for the baker to do that?

The CHAIRMAN: But she can only do that in the odd case, the chain store could not supply everybody that bread on that basis.

Mr. PARRY: What wage would they pay the boy for that delivery service.

Mr. W. H. HARRISON: From \$1.50 to \$2 a week.

Mr. PARRY: To compete with your driver salesmen and horses or automobiles.

Mr. W. H. HARRISON: Yes.

Mr. YOUNG: How many hours a week would these delivery boys be working?

Mr. G. E. HARRISON: Over 60 hours a week. The Montreal Boys' Association have some information on that line, and I believe that they are desirous of an opportunity to appear before this committee and state their case. They have cases where requests have come in for a small boy, and the Montreal Boys' Association asked why a small boy, and they say that we don't like to offer a big boy a dollar and a half a week.

Mr. YOUNG: Are these small boys working full time, or after school hours; have they no compulsory school law?

Mr. G. E. HARRISON: I believe recently there has been a law passed in Quebec where boys under fourteen years are limited to 60 hours a week.

The CHAIRMAN: But these boys at \$1.50 a week are taking the place of men normally with families at a normal wage.



Mr. G. E. HARRISON: Right.

The CHAIRMAN: Would you mind indicating what wage you pay to a regular delivery salesman, a bread salesman.

Mr. W. H. HARRISON: \$25.16.

Mr. PARRY: That would be earning, I understand they are partly commission and partly wages, and the total comes to \$25.16.

Mr. FACTOR: It does not seem to me that that is very fair. The trouble is that one is using a messenger boy, while the other uses a salesman.

Mr. G. E. HARRISON: That is the difference, that is our competition.

The CHAIRMAN: Their point is this, as I understand it; they pay an average of \$25 a week to bread salesmen who give to the public a certain service; that service is now under competition by these delivery boys at \$1.50 a week, which enables them to carry on that competition, irrespective of the price paid in the store for the article.

Mr. FACTOR: How is the quality of that 5 and 6 cent bread sold by the chain stores as compared to the quality of your 12 cent bread.

Mr. W. H. HARRISON: It is not as good, it is a cheaper loaf.

Mr. G. E. HARRISON: We have no 12 cent bread to-day, it is ten cents.

Mr. FACTOR: Is it as good as, or better than, the 6 cent loaf which you are making now.

Mr. W. H. HARRISON: No, I would not say it is.

Mr. FACTOR: It is not as good.

Mr. G. E. HARRISON: The situation to-day is that all this bread is made down to a price instead of up to a standard of quality.

Mr. FACTOR: Is it fair to say that the 5 or 6 cent chain store bread is of about the same quality as your 6 cent loaf?

Mr. W. H. HARRISON: Yes.

Mr. YOUNG: The cost of the ingredients of your 6 cent loaf is from 2·75 to 6 cents; what is the cost of the ingredients in a ten cent loaf?

Mr. G. E. HARRISON: About one cent more.

Mr. YOUNG: That would be 4 cents; that means then that the work of making and delivering the bread cost you 6 cents—is that right?

Mr. G. E. HARRISON: No, I would not say that is right.

Mr. YOUNG: But you place the cost of the ingredients at 4 cents, and you say you are selling it at 10 cents, that is a difference of 6 cents; where does that come?

Mr. G. E. HARRISON: Unfortunately we have had to take our figures on an average basis. We cannot very well separate the figures on account of the selling charges, and give all these things; but the average price, or the average cost is 7·89 cents. That is the average cost of making a loaf of bread.

Mr. YOUNG: Of making it?

Mr. G. E. HARRISON: Including the ingredients, that is everything.

Mr. YOUNG: And that is 7·89 cents?

Mr. G. E. HARRISON: 7·89 cents, and our report for last year was 7·59.

Mr. YOUNG: That is the average for the whole year?

Mr. W. H. HARRISON: Yes.

Mr. YOUNG: That is to say, you are losing on your cheaper loaf and you are making up on the more expensive loaf.

Mr. W. H. HARRISON: Yes.

Mr. YOUNG: When you were selling that bread at 12 cents in 1930, you did not know what it was costing you to make a loaf?

Mr. G. E. HARRISON: We did not know, we had only started.

Mr. W. H. HARRISON: We only operated at that price for two months.

Mr. YOUNG: It seems to me that the difference between the price of the ingredients and the price at which it sells is too wide; there must be something wrong with an industry that requires that much to make a loaf of bread.

Mr. G. E. HARRISON: That 12 cents has been passed up now since 1930.

Mr. YOUNG: You told us that it was the chain store that did away with that, it seems to me they have rendered the public a good service in doing it. If they have reduced the inequality in that spread, I am sure that they have rendered a public service.

Mr. PARRY: To whom?

Mr. YOUNG: To the consumer.

Mr. PARRY: That is all premised on the fact that the public wanted a cheaper loaf.

Mr. YOUNG: They certainly wanted a loaf which they could buy.

Mr. PARRY: I may say for Mr. Young's benefit that we are proposing to have a complete analysis of the price spread, and counsel expected to be able to lay before the committee the complete set-up of the component parts of the spread at a comparatively early date. Apparently Mr. Harrison has not been able to furnish these figures.

Mr. YOUNG: We will be very glad to have it.

Mr. W. H. HARRISON: I should clear up one point there, the chain stores did not influence that change in prices; the bakers changed the price in November of 1930 from 12 cents to 10 cents.

Mr. YOUNG: It was not the competition of the chain stores?

Mr. W. H. HARRISON: No.

Mr. PARRY: You refer to a combination offered that took place, about when?

Mr. W. H. HARRISON: In November of 1933.

Mr. PARRY: You have some other productions there, will you finish your statement, Mr. Harrison?

Mr. W. H. HARRISON: These simply follow up along the same line, except the price was advanced one cent and it is now selling at 6 cents; the price is not 5 to-day, it is 6.

The CHAIRMAN: By the chain stores?

Mr. W. H. HARRISON: Yes.

The CHAIRMAN: All right. Now, Mr. Harrison files a series of advertisements showing a series of reductions in price by chain stores, including combination sales of milk and bread, and also of bread alone, at prices indicated in his evidence. This is exhibit No. 110.

(Exhibit No. 110—a series of advertisements, filed.)

Mr. PARRY: Mr. Harrison, you as part of your exhibit produced the advertisement of a chain store in November of 1933, offering bread as a loss leader; did you have occasion, or did you see a circular sent out by a chain store under date of November, 1933?—A. I do not remember it.

Mr. PARRY: I think, Mr. Chairman, perhaps this had better be filed; it appears to throw some light on the general purpose behind this loss leader, and low price bread and milk campaign. It states among other things that its purpose is to get customers to the store. Further down it says: re milk and bread—we will continue the feature, and for next week milk will be at 7 cents a quart and bread at 5 cents; but next week may be the last opportunity for

us to feature these commodities at these prices. These are given for the express purpose of having our customers get into the habit of purchasing their bread and milk from our stores which will increase the sale of other commodities. That, I may say, is in the reports which are to come from the same firm.

Mr. FACTOR: Is that a copy of instructions issued to managers?

Mr. PARRY: Yes, I will pass it over to you.

The CHAIRMAN: Are there any other questions you wish to ask of these witnesses?

Thank you both very much.

The witnesses were discharged.

Mr. CECIL MORRISON, called and sworn.

*By Mr. Parry:*

Q. You carry on a baking business in the city of Ottawa under the name of Morrison and Lamothe?—A. Yes, sir.

Q. And I understand you have had a very versatile experience in the past ten or fifteen years in the baking industry in Canada?—A. It has at least been varied.

Q. You might perhaps indicate the various elements in the baking industry with which you have been associated?—A. Possibly if I would give you some extracts from a little talk I gave to our bakers the other day, it would answer your question. My experience in the bread business has covered every phase during the past eighteen years, from the small bakery in Ottawa of one wagon to being general manager of one of the largest chain bakeries in Canada; that is the Inter-City Western operated from Winnipeg to Vancouver, and the Inter-City Bakeries Limited operated in Montreal, Ottawa, Toronto, Hamilton. During the period of building up the Standard Bread Company in Ottawa I held very high standards, both as regards personal and business life. Then came the time when we sold out our business to a merger and I became general manager.

*By the Chairman:*

Q. You say a merger?—A. Yes, Inter-City Bakeries—that was the Eastern Company—and then Inter-City Western; and I became president of that.

*By Mr. Parry:*

Q. Was that a chain system, or mill-controlled?—A. It was mill-controlled, under Lake of the Woods Milling Company. There is no doubt that the chain stores and the small cut-throat bakeries have injured our industry tremendously. Mr. Parry has asked me to tell you some of the vicissitudes of the general manager of a big chain.

Q. You started off in a very interesting manner, a moment ago, by saying that you had high moral standards when you were with the Standard Bakery—perhaps we might like to have a little explanation of that, it is rather interesting?—A. I now know that if I had kept my personal ideals of total abstinence, purity of thought and action, fair and considerate dealing with employees, the spirit of live and let-live with my competitors, things would have been quite different in my life, but I had the mirage continually before me of some time becoming a Czar of the bread business.

Q. From where did that come?—A. Well, the general manager of a big chain that knows his business knows that if he does not keep his plant full, he is sunk; he would simply have to get this volume or drift into bankruptcy immediately. There is no question about that.



*By Mr. Factor:*

Q. No one likes to sink?—A. I did not. But I still always kept this idea of keeping my volume up regardless. Then we came into this terrible era of competition, the chain stores robbing you on one side, and changing wheat markets on the other. As I recall it the wheat market dropped from \$1.50 a bushel to 38 cents a bushel in a period of two years.

*By Mr. Young:*

Q. How was that hard to meet?—A. The trouble was that perhaps you would buy flour when wheat was \$1 with the thought that it would never go below that, and by the time I got delivery of it, it was down to 60 cents or 75 cents a bushel.

Q. But then you would buy your replacements cheaper?—A. And in the meantime your competitor has been buying for less.

Q. You formed the habit of buying your supplies ahead, did you?—A. Well, generally.

Q. Do not the millers supply you flour on a day-to-day basis?—A. They will.

Q. You can do it that way?—A. You can do it that way, if you like.

Q. You did not have to buy ahead, then?—A. No.

*By Mr. Parry:*

Q. As the operator of a mill-controlled bakery you had to use their flour?—A. Yes, but I used to do my own buying.

Q. Did you pay any increased price on the flour you used?—A. No, I used to buy the same as any other baker.

Q. Could you go into the competitive market and buy?—A. I was not allowed to do that.

Q. You had to buy flour?—A. I had to buy flour from the one mill.

*By Mr. Factor:*

Q. I understood you to say that your bakery was controlled by the Lake of the Woods Milling Company; did you use their flour?—A. Yes.

Q. Then it was just book-keeping?—A. No, it was more than that, there were outside shareholders in the company.

Q. You mean, that the Lake of the Woods Milling Company only had a majority of stock?—A. That is it.

*By the Chairman:*

Q. You were limited in your buying to the one company?—A. Absolutely.

Q. But all the transactions were the same as though they were independent?—A. Yes.

*By Mr. Parry:*

Q. You always bought at the market price?—A. I did, up till a certain period—tried to keep up with my competitors. That is the reason I am out of it to-day.

Q. Did you ever have to pay more than the market price for your flour?—A. I certainly have had to pay more than I could have bought it at outside.

Q. On the same day?—A. Yes.

Q. For the same quality of flour?—A. Yes, I would say that.

Q. Were they charging the outside world the same as they were charging you?—A. To give them the benefit due there, I do not think they used us any different from any other customer in the same category.

*By Mr. Young:*

Q. Did the millers have a price to be paid them; let us suppose that X represents the price of flour, you did not have to pay X plus 1?—A. I would not say that, but still X plus; the X represents the big customer—.

Q. Would you not get the same treatment from the mill as you would have got if you had been an independent baker?—A. No, I do not think I did.

Q. Then you paid more for your flour?—A. We paid a straight X price all the time.

Q. And the other fellow got a discount from your same mill?—A. I am not prepared to say that because I do not know.

*By Mr. Parry:*

Q. But you are saying that your price was not always the competitive price?—A. No, it was not; that is all I know. I want to go on record in saying that, I do not think it was quite fair to the minority shareholders.

*By the Chairman:*

Q. Of the bakery?—A. Of the bakery. That is one of the problems you face in any industry which is controlled by companies supplying your raw material. I think that a great many troubles of the industry are perhaps caused by this insatiable desire for volume. To get this the big plants follow the practices which you heard about here this morning. There is no doubt about it, there is overproduction in the milling business, as well as in all other industry.

Q. And that resulted in your development of the sliced loaf?—A. I was responsible for the development of the sliced loaf on high-priced bread; and I might say also that I was instrumental in the developing of the second quality loaf, too.

*By Mr. Young:*

Q. This sliced-loaf is already sliced, is it?—A. Yes.

Q. You do not butter it for them as well?—A. Not yet.

*By Mr. Parry:*

Q. What kind of competition were you meeting when you developed the second quality loaf?—A. Desperate competition.

Q. In what light do you regard the chain store as a competing factor in bread distribution?—A. They are very serious, if they are unfair. I had a very interesting experience in Western Canada. The Safeways Chain was organized in Western Canada around 1930—I am not sure of the year, it was about 1930.

*By Mr. Factor:*

Q. After the 28th July, 1930?—A. I am not sure.

The CHAIRMAN: You would say that.

The WITNESS: Just at that time Western Canada was invaded by the Chain of Safeways.

The CHAIRMAN: That was in 1929; that is the year.

The WITNESS: And the avowed intention—the manager told me about this at one time when we wanted to get his business—he told me that if they could get bread and milk as loss leaders—we did not call them loss leaders then—but as long as he could get these with which to get people coming to his stores, he did not care for anything else. He would put that business over if anyone did. The result was that the Piggly-Wiggly took issue with them, and Wedgewood and Spencer and others put in little bakeries on the top of their big stores out there and put on loss leaders, running these bakeries for nothing. I am satisfied

they ran them at a loss. I have talked with these gentlemen and tried to get them to listen to reason, but they would not. I think Mr. Ward has some evidence. I think perhaps I should not take up the time of the committee on this, because Mr. Ward's evidence will bear this out.

Q. Just go ahead, Mr. Morrison. I think the committee would like to hear your experience. You are very frank about it?—A. Safeways again, other chains, Piggly-Wiggly, other small chains and Eatons especially, took issue with them. They simply demoralized the business in the prairies, especially in Winnipeg.

*By the Chairman:*

Q. By these loss leaders?—A. Yes.

Q. Have you any illustrations of that?—A. I know they went so far in Vancouver—in two cities they gave bread away for nothing, it got down so low.

Q. And milk too?—A. Yes, and milk. Just went crazy.

*By Mr. Young:*

Q. Did the people that took that bread free suffer for it?—A. No. But I was forced to cut wages in the west until I almost wept—seeing men going away from me weeping—to try and keep out of the red ink, or reduce your red ink. That is the experience I went through in western Canada.

*By Mr. Parry:*

Q. The red ink was a matter of quantity, was it?—A. Yes.

*By Mr. Young:*

Q. That is in Vancouver?—A. All through the west, right from Winnipeg to Victoria.

*By Mr. Factor:*

Q. When did this start in the west?—A. It all started out by the coming of the chain store. It never rains but it pours. The chain stores came. Things seemed to play into their hands, because they got all the breaks of this wheat market going down. It was demoralizing the industry.

Q. In 1930—was that the time?—A. It started then, about 1929, 1930. I am not really sure.

Q. How did you get along before 1929; were you general manager of the bakery then?—A. Yes. We had been doing very well.

Q. Was it a profitable business?—A. Yes, it was a profitable business.

Q. And were you competing with the independent bakers?—A. Yes.

Q. And you were getting along all right?—A. Fine.

Q. How were the independent bakers getting along?—A. I think they were all prosperous, as far as I know.

Q. They were all prosperous too?—A. Yes.

Q. In other words, the whole trouble lies with the chain store that ruined the bakery business; is that your opinion?—A. I believe that is right. It was the chain stores which ruined the bakery business.

*By the Chairman:*

Q. Put it this way, that it was the practice of cutting the price below the cost of production?—A. Yes.

Q. And the chain stores seem to have practised it more than anybody else?—A. Yes. That upset the industry. I think perhaps we made some mistakes, the operators of the bakeries. I don't think we followed the reduction in the price of wheat quickly enough. It is fine to look back now and see what you should have done.



*By Mr. Factor:*

Q. Then you want to take part of your money and increase your productivity; you didn't reduce it?—A. It is a funny business, the bakery business. The more accountants and experts try to run it, the more they ball it up. I am in great sympathy with Mr. Jetté, a practical baker. If you hold your price too high, your volume comes down and you are worse off then. You have neither volume nor profit.

*By Mr. Parry:*

Q. So you followed the chain stores on the price cut?—A. We didn't follow them quick enough.

*By Mr. Young:*

Q. Then it was the chain stores that forced the price of bread to follow the price of wheat?—A. No. That would have been all right if they had followed it, but they went below the price of wheat, even at 38 cents, Mr. Young.

Q. Will you tell us what you sold your bread for, prior to the coming of the chain stores, say in 1929?—A. I have not got statistics here of all the plants. It is hard to go across Canada, because weights differ when you go out west.

Q. Take your pound and a half loaf in Ottawa, is that what you sell?—A. Yes, 1½ pound in Ontario and Quebec.

Q. What did it sell for then?—A. In 1930. Around 11 cents, I think it was, in Ottawa.

Q. How much of that was material?—A. Roughly, it would be about 4 cents.

Q. It costs you 7 cents to make a loaf of bread and deliver it then, over and above the ingredients, at that time?—A. At that time.

Q. At least, I don't know what it cost you, but that is what it cost the consumer?—A. Yes, perhaps it did.

Q. Don't you think it was time that somebody was coming into the market and forcing that down?—A. No, I don't think so. You take service. There is 7 cents, you say?

Q. Your ingredients cost you 4 cents and you were charging 11 cents for that loaf?—A. At that time, with wages the way they were, it perhaps cost 2 cents to manufacture; that is retail distribution, remember. It has to be distributed. There was cheaper bread than that. Perhaps 2½ cents for delivery, a cent for overhead, and then a cent for profit. In all my experience I have never seen more than a cent of profit in a loaf of bread.

*By Mr. Factor:*

Q. Never?—A. No, I have never seen any more.

*By Mr. Young:*

Q. One cent profit on a considerable number of loaves would be considerable. Is there no way of cutting down on that 7 cents? That seems to be an awful spread?—A. It is cut down to-day. Wages are down.

MR. FACTOR: That is where most of the cutting has been done, apparently, in wages.

THE WITNESS: In my plant my costs to-day are 7·45 in Ottawa. That is, we have two qualities of bread.

*By Mr. Young:*

Q. That is for your best quality?—A. That is the two together, 8 and 10 cents.

Q. And it cost you 7·45?—A. Yes.

Q. And you sell on an average of 9 cents, do you?—A. No, on an average of somewhere around 8. The wholesale price comes in that, but I think our return is somewhere about 8 cents for our total output.

*By Mr. Parry:*

Q. You have averaged up your costs?—A. Yes.

*By Mr. Young:*

Q. You are not making a cent clear, then, are you?—A. No, I am not.

Q. Is there no other cost that could be reduced?—A. No.

Q. You say it costs  $2\frac{1}{2}$  cents to deliver a loaf?—A. I will defy any man in Canada to run a bakery any more economically than I am running it.

Q. If a person does not ask for their bread delivered, and is willing to go and get it, how much does he save by doing that?—A. In Ottawa, one cent.

Q. That is not quite fair, is it?—A. Why?

Q. If it costs  $2\frac{1}{2}$  cents to deliver it, and the man goes and gets it only gets one cent, somebody is getting the other  $1\frac{1}{2}$  cents?—A. Well, it goes out in wages and so forth.

Q. It goes to the man who does not do that?—A. Well, I think the chain store should be the same price as the wagon price.

*By Mr. Parry:*

Q. Why do you say that?—A. Because it tends to disorganize the business.

Q. Have you any other reasons?—A. Yes. Chain stores again, as you have been shown, deliver bread in many cases. We have got this service set up and the public wants this service.

Q. I suppose floor space is worth something?—A. It is.

Q. And the advertising is worth something?—A. Yes.

Q. And when customers come in automobiles, I suppose there is cost added to that factor?—A. Somebody has to pay for the gasoline.

*By Mr. Young:*

Q. I have in mind the housewife in the city of Ottawa who has to make every cent count. She can send one of her children to the chain store to get a loaf of bread. If that loaf of bread comes  $2\frac{1}{2}$  cents cheaper to the merchant than if he had delivered it, don't you think she is entitled to that?—A. What good is it to her if her husband has not got a job to get the 7 cents?

Q. She has not got a husband, and I don't think she will get one by paying more for her bread.

Mr. FACTOR: What, a husband?

Mr. YOUNG: A husband. I don't think you can help her to get a husband by charging her an extra cent a loaf.

The CHAIRMAN: There are interest charges, Mr. Young, ordinary rentals and so on.

*By Mr. Parry:*

Q. In any event, in your experience that is what you are saying?—A. Yes, that is what I am saying. There is another thing; I am in great sympathy with the little corner grocery, the local man here, paying his taxes, trying to live. These chain stores—I don't think they should sell, but they do sell, bread a cent under him.

*By Mr. Young:*

Q. Can he buy from you as cheap as they do?—A. No, he can't.

Q. Whose fault is that?—A. Well, it is perhaps my fault, because I do supply one chain here.

Q. You supply a chain?—A. Yes, they take a thousand loaves a day.

Q. And the little fellow at the corner store takes a dozen?—A. The chain store, give them credit, they take them all in one bulk, but it is too low a price.

*By Mr. Parry:*

Q. You don't justify the price at which you do it?—A. No. I would get more to-day if it were not for what they are doing in other cities.

*By Mr. Young:*

Q. Do you lose on that thousand loaves?—A. You don't make.

Q. You don't make anything?—A. No, you don't make anything, if they paid a right portion of the overhead. I am losing money.

Q. You have got to make it up on the little fellow?—A. Got to make it up somewhere. It is not practical. I have no justification for doing it.

*By Mr. Factor:*

Q. What is the volume of bread that is sold by the city stores, say in the city of Ottawa, compared with the bakers?—A. It is particularly small in the city of Ottawa.

Q. How is it in other cities, in Toronto, for instance?—A. I think perhaps about 10—I am just guessing now, I don't know—perhaps 10 per cent.

Q. Is it not a fact that the chain store merely uses the bread as an advertisement, I mean irrespective of the merit of that form of advertising?—A. I know the chain store's idea is to get people to come into the store, and they know that bread is a thing that we have got to have every day. That is the stock argument of all the chain stores.

*By the Chairman:*

Q. Is this really not the point at issue, Mr. Morrison? I asked Mr. Jette the same question. Is there any possibility or is there anything to justify the assumption that the chain store could do away with the delivering of bread from house to house?—A. No. The house to house delivery is a system that is demanded by the public of Canada, to get their bread.

Q. And that is about 90 per cent or more of the consumption?—A. I would not say quite that high.

Q. What would you say, from your knowledge and experience?—A. I think perhaps 60 per cent of the bread is delivered—at least, 60 per cent of the total output. That is including institutions.

Q. I am talking about retail bread. Never mind about institutions which are, of course, buying large quantities. But with regard to the ordinary delivery of bread, what proportion is delivered house to house and what proportion is sold from your retail stores, chain and otherwise?—A. On our wagons, about 80 per cent is sold.

Q. About 80 per cent?—A. Yes, and delivered from house to house.

*By Mr. Factor:*

Q. Does the 20 per cent that is sold by independents and the chain stores control the price of the 80 per cent?—A. It does, to a great extent. That little 10 per cent of the chain store business controls your whole—really has an effect on your whole selling price.



*By the Chairman:*

Q. Disorganizes it?—A. Yes.

*By Mr. Parry:*

Q. What effect has the loss leader of bread on the public mind?—A. It makes the people think that the bakers are all rogues.

Q. It does create the idea that 5 cents is the profit on the price that he gets?—A. Yes, it gives the wrong impression.

*By Mr. Factor:*

Q. And still 80 per cent continue to buy bread from you?—A. Yes. That shows the ability of the baker.

Mr. FACTOR: And the gullibility of the public.

*By Mr. Parry:*

Q. Just proceed, Mr. Morrison?—A. I don't know where I left off.

Q. You have been all over Canada?—A. Pretty nearly. Then during this period—I am going to be frank; you asked me to tell what happened with the big bakers. Many of us sold bread below cost, inasmuch as we supplied these chain stores, deluding ourselves, the selfish attitude again, not looking at the big picture, and allowing these chain stores to cut into your volume.

*By Mr. Young:*

Q. Suppose you had refused to supply the chain stores with this thousand loaves of bread at the price they wanted, what would have happened?—A. Perhaps they would have got it elsewhere, or got it somewhere. I think quality bakers, that is, bakers who know how to make bread, would have been farther ahead if they had never sold a loaf of bread to a chain store.

Q. Do chain stores ever take over what is left over?—A. No, I have never known that.

Q. What do you do with bread that is left over at night?—A. The efficient baker should not have it. You should be able to see to that.

Q. You can do that?—A. Pretty closely, if you watch yourself, by watching that each route puts in the right number. It does not vary very much from day to day. That is where careful management comes in.

Q. You could not melt that bread down, could you?—A. No, that is one of the things we have never found a solution for, a satisfactory one. Usually, if it gets stale it is taken out and sold to a fox farm. That is the way I get rid of mine.

Q. There is some demand for stale bread, is there?—A. Oh, it is very limited. Then, during this period of demoralization there were a lot of evil practices which crept into our otherwise very ethical industry. We got selling bread below cost.

*By the Chairman:*

Q. Why would you sell below cost?—A. That is one of the things I repeated myself. I am dealing with the chain stores.

Q. Did you ever do that in a town where there were a couple of comfortable independents, in order to put one out of business or put both out of business?—A. No. I will be honest. I have never known that to happen. We may be guilty of lots of things, but that is one thing I have never known. We may have met competition, but the baker—I will go on record here that the mill owned bakers have honestly endeavoured to get reasonable prices for their products. In some cases they have been forced down to meet local competition, and perhaps unwisely met it. They may have done unwise things.

Q. When you say you have met local competition, what do you mean by that?—A. Well, for instance, we have an evil here in Ottawa. Outside the city here, in some of the towns—Carleton Place, for instance—the price of bread up there is a cent less than in Ottawa. That is an evil that should be corrected.

*By Mr. Parry:*

Q. But you were an unstabilizing element because somebody else was unstable?—A. Yes, we were forced down.

Q. And it must be reflected back in the ordinary local baker?

*By the Chairman:*

Q. Would you go into Carleton Place, for instance, with your highly developed organization and cut that fellow's price?—A. No, don't cut it.

Q. You would meet it?—A. Meet it. It has been met, but I think it is unwise.

*By Mr. Young:*

Q. You think it should not be allowed. Maybe that man's overhead is less than yours. Perhaps he has figured out a way of cutting costs?—A. It might be, but I don't think that baker should be allowed—I don't think we should be allowed to go in and cut the price of a local baker. I don't think that should be done. It may have been done in many cases.

*By the Chairman:*

Q. Take this case you mention. Take Carleton Place or anywhere else. Here is a local baker seeking to hold his customers. You send out a truck from Ottawa or some other central point and you go in there and you say you meet his price. You may have a little more inviting set up, or some cakes and buns which you send along, and soon he feels in self defence he has to cut his price again?—A. He may.

Q. And then you meet him?—A. He may.

Q. And so it goes on?—A. It may be. I don't think in that case, mostly the big bakers usually always get—are usually able to never send more than a limited quantity of bread in a local town for advertising, and so on.

*By Mr. Parry:*

Q. Your big financial resources are competing with the local man with the limited facilities for advertising?—A. Yes, and I don't think it is right.

MR. PARRY: You don't think it is right. It is very fair of you to say so.

*By Mr. Factor:*

Q. How long were you manager of this Inter-City Baking Company?—A. About five years.

Q. In the eastern or western section?—A. Until November of 1932, yearly inspection of both companies.

*By Mr. Young:*

Q. Have you ever found any competition from the housewife making her own bread?—A. That has fallen off.

Q. Does that increase as your prices go up?—A. No, I don't find that a factor.

Q. Did it increase when you refused to drop your price with the drop in the price of wheat?—A. It would eventually. The housewife knows her costs. She knows what is fair. We have found that out.

Q. You can't fool her?—A. I never found that we have been able to.

*By Mr. Factor:*

Q. Were you here when Mr. Pinchin gave his evidence this morning?—  
A. Yes.

Q. You don't agree with his contention that the independent baker is being put out of business by the mill-owned baker, do you?—A. No, I don't agree with that.

Q. You think that the independent baker and the mill-owned baker should get along very well if it were not for the chain store competition?—A. I think that is the key to your situation. That is the element that we cannot control.

*By Mr. Young:*

Q. It is control you want, is it?—A. Yes, and we are going to ask you for that before we are done. But that outside factor comes in. You see, again you have got your housewife. The baker can't get an exorbitant price for bread, because the housewife can always bake her own bread.

*By the Chairman:*

Q. If the bakers of the country were independent of the mills, would it be in the interests of the baking industry?—A. Well, I think that the mills going into the bakeries has been a mistake.

*By Mr. Young:*

Q. From whose point of view?—A. From both.

Q. Both miller and baker?—A. Both the miller and the baker.

*By the Chairman:*

Q. Has it been a success from other standpoints?—A. No.

Q. Financially?—A. No, it has not.

Q. Nor from a practical administration standpoint?—A. No, it is not satisfactory. I think the ideal situation is your local man. The bakery business is essentially a neighbourhood business.

*By Mr. Factor:*

Q. Then you do agree with Mr. Pinchin in that angle of it?—A. Yes. But I don't see where, now that they are established—the mill bakers didn't establish any new competition to my knowledge, only in one or two rare cases. They just took over existing bakeries.

*By the Chairman:*

Q. We had evidence here in another line of inquiry that in certain towns in Western Canada there were two or three cases—we have exhibits on file—where there was a local baker and he is carrying on his business, delivering his bread and supplies the town. A chain store puts on bread—in one case they give it away, and in another case at 2 cents a loaf, which bread was brought in from a large city, a large bakery such as you have been operating. How can that local baker exist, under conditions of that kind?—A. Well, he can't. He simply can't.

Q. Is not that a case where the large bakery, a national organization, whether it is mill-owned or otherwise, in conjunction with the services through the chain store, puts a local baker out of business?—A. Of course, a big local baker might do that, whether he was chain or otherwise.

Q. Quite so, but it is apparently the national organizations that are able to do that?—A. Well, simply because they happen to have the big plants, that is all.



*By Mr. Parry:*

Q. The result is they have done it; they have got the chain?—A. It may be in isolated cases, but the general practice of the mill-owned bakers has been pretty ethical.

Q. Did they lower the price to the chain?—A. I can't tell you, because I don't know the institution you are referring to. Perhaps the chain was just taking a loss on it.

The CHAIRMAN: They did when they gave it away, I presume.

*By Mr. Young:*

Q. I think you referred to the cut-throat competition of independents, didn't you? These are the ones that are unethical?—A. Again you go back to your reference there, that some of these small bakers have little overhead, and perhaps have no help; it may be a family affair, and they can sell very cheap. Under ordinary conditions, unless there is something extraordinary like Mr. Stevens referred to and the chains give the bread away, the local baker is well able to compete with any organization, a small baker.

*By the Chairman:*

Q. For instance, you recall very well the instance in Vancouver?—A. Yes.

Q. Which was carried on for a considerable period of time?—A. Yes.

Q. Where chain stores gave away bread or else sold for two cents, or a combination of milk for three or four cents a loaf?—A. Yes.

Q. They could not possibly have done that unless they had bought their bread from some large organization in large quantities, could they?—A. Well, I think in Vancouver they were making their bread, weren't they, in that particular case?

Q. I could not say exactly. I don't think they were all making bread. In fact, I know they were not, Safeways, Piggly-Wiggly and others. It must be the combination there of the loss leader in the chain store and the large baking organizations selling bread at a price that is not supplied to the ordinary distributing trade?—A. I grant you that. I think that is one of the sins of the big baker, of my own too—of many of the big bakers, and I take part of the blame. It was a mistake to ever supply the chain stores, to give them a weapon to cut your own throat. I think it was foolish on the face of it.

Q. All right, Mr. Morrison, will you continue?—A. Where are we?

*By Mr. Parry:*

Q. You are still at the dough?—A. Then there are, as I say, a lot of evils that have crept into baking, big buyers. If you have got a weak market, buyers are all keen buyers. Perhaps the worst buyer we have to contend with in Ottawa is the city of Ottawa, on the relief bread. On every loaf of bread that we supply there, we are losing half a cent at least. According to the statement here, I am losing a cent. We don't pay as big a commission to the drivers on that, so I figure I am losing half a cent a loaf. We went before this board to try and get an increase in the price of bread, and I was told by a doctor who, if you go in and look at him, he charges you five dollars, that they could buy bread for five cents.

*By Mr. Young:*

Q. Would you not be money ahead to let them buy it?—A. Yes, on the face of it.

Q. Why don't you do it?—A. Well, you have got to have a long picture of this thing. We always live in hopes that we will get a better price, and it means saving the connection with these people that are on relief.

*By Mr. Parry:*

Q. You want to hold the customers?—A. Yes, that is right. We hope that this depression will be over, and this man is a good customer perhaps in a year or two. In the meantime he is getting good bread. All these are some of the things we have to contend with, and when we sell bread, the amount of bread that relief takes to-day, it tends to hold the other price up. Secret rebates, coupons, advertising allowances and all these evils have crept into our industry. My conception of an honest baker is that he should exemplify the perfect business man, as I am trying to do here, honestly, by being a good citizen, a good competitor and a fair employer. I believe it is my duty to give to the public the best possible bread at the lowest possible price, consistent with paying reasonable wages, a fair return on capital invested—I mean a fair capitalization—and a fair salary to myself as chief executive or operator. In my own little business we have five groups. I have divided them into five groups: The shareholders, employees, the public, my creditors, and ourselves as chief executives, my partner and myself. I conceive it is my duty to see that each group gets its just due. If this is done honestly, one must of necessity be a fair competitor. I was trying to tell the boys the other day that we should adopt the highest attitude in our business, play the golden rule, take God into our business, if you like. Somebody says. "Don't mix religion with business." We have tried everything else in the bread business, and you had heard the condition of it. By the way, I am one of those fellows that have been affected by the Oxford Group.

*By Mr. Parry:*

Q. Oxford Group enters baking business?—A. Yes. It is my vision that the bakery business should set the ideal as to how an industry can be run. I was talking to the men on this at a meeting. Most of them are present here to-day. I said that I believed if we could get that ideal before us, and get a little help to control the chain stores, that we could within two months change our industry from one of chaos, with no uniformity of prices, no dividends to shareholders, poor wages to employees who work too many hours, to one of real prosperity where dividends will be regained on money invested, fair wages can be paid, hours can be shortened, more jobs created, and in other words make this unit of our business life, with all its environments, prosperous.

*By Mr. Kennedy (Peace River):*

Q. What about the wages right now?—A. I would like to be able to increase mine.

Q. What are they?—A. They are averaging about \$16 a week.

Q. What do the drivers get?—A. Well, to salesmen I pay \$35 a month, and 10 per cent on the money value.

Q. How much will they make?—A. Oh, they are averaging about \$80, \$85 a month.

Q. How many hours do they work?—A. Well, they actually work about eleven hours on a route. That means that our boys go to work anywhere from six to a quarter to seven in the morning, and then they get back between five and six at night. They work between ten and eleven hours a day.

*By Mr. Young:*

Q. You would like to increase your wages?—A. Yes.

Q. How would you go about doing that?—A. Throughout I am referring especially to the inside staff.

Q. How would you go about getting money to increase your wages? Would you raise the price of bread?—A. No, I would like to correct some of the evils in the industry.



Q. Some of those things which force you to sell for less?—A. Yes.

Q. In other words, you would like to raise the price of bread?—A. Not to the general public, no.

Q. To whom?—A. To some of the institutions and the city, and some of the cut prices that are going to large stores, and so forth, restaurants and so forth, in this town. If that were done, I could increase my wages further.

Q. Without increasing the price?—A. Without increasing the price to the general public.

Q. Of the 80 per cent of the bread which you deliver to the door?—A. It is less than 80 per cent of the whole; it is about 60 per cent.

*By the Chairman:*

Q. The chief cutting has been in what you might call the wholesale section of your business?—A. Yes.

Q. Large institutions, restaurants and city chain stores, etc.?—A. Yes.

Q. Now, under the further reorganization of the business along the lines you suggest do you feel that the consumer might get a benefit?—A. I believe they will eventually get the benefit.

Q. You were here this morning and you heard Mr. Pinchin?—A. Yes.

Q. You heard him make certain recommendations, and I notice you have appeared in favour of a number of them. I would like to refer to item number 1: "The baking industry must be restored to its status as a local, independently operated business, with the utmost dispatch consistent with the minimum consistent with the minimum disruption to the industry's normal activities." What do you think of that?—A. Again I do not see what would be gained. I cannot see whether it matters whether it is operated from the baker's standpoint by the mills or who so long as they play fair.

*By Mr. Parry:*

Q. Should it be a local business?—A. I think it is much better. I have had a very happy experience as a local baker in Ottawa. I took over a defunct chain plant which was in bad shape. It was run down, and the bakery itself—the floor was full of holes and the roof was leaking, the motors were not running, the horses were lame, the waggons were not painted and the staff was discouraged. I took that over.

Q. How long ago?—A. A year and a half ago. And the competition here is two of the greatest chain plants operating in Canada. I would say.

*By Mr. Factor:*

Q. In other words, you see nothing wrong with a bakery operating a mill so long as they conduct their business in a proper manner in relation to the public and in relation to their shareholders?—A. I cannot see anything wrong with it.

*By the Chairman:*

Q. You think a board of directors at a mill in Montreal can run a chain of bakeries from here to Vancouver as successfully and efficiently as a group of independents?—A. Not from their standpoint, no; from the baker's standpoint. I am speaking from a local baker's standpoint.

Q. There is the fact. A group of directors in a big mill in Montreal or Toronto can operate a chain bakery from here to Vancouver as efficiently as the local bakeries can run their business; is that your statement?—A. No. That is not quite what I meant.

Q. Will you make yourself clear, Mr. Morrison, because that is the inference I took from your statement?—A. He was referring to decentralization or closing up.



Q. No. What we are getting at is the question of the effect—this is the order of reference that we have here—I will not read it—the effect of the mill-owned chain upon the bakery business generally. Now, I am asking you again whether a board of directors in a large mill, say, in Montreal, can successfully operate a chain of bakeries from here to Vancouver?—A. They are not doing it.

Q. Well, from here to Winnipeg, then?—A. They are not doing it now.

Q. Not successfully?—A. There is not a successful chain in Canada.

Q. Then the system cannot be sound. You say you think it is. I am asking you, now, frankly.

*By Mr. Factor:*

Q. When you say they are not successfully operating what do you mean?—

A. There is not one of them paying a dividend.

Q. That is it. From the standpoint of the shareholders?—A. No.

Q. Is not the basic reason and cause of that the over-capitalization and the exorbitant prices paid for concerns that they took over?—A. I do not think it is, because they have not even their money back.

*By the Chairman:*

Q. I would like to get you clear on this, because twice you have made the statement that you can see nothing wrong with the mill-owned chain?—A. I am speaking from the independent baker standpoint.

Q. I shall put the question to you again. You have had experience you have already said from here to Vancouver. Do you think it is an economically sound method of carrying on a big business for the board of directors of a flour milling company to operate a chain bakery from Montreal to Vancouver?—A. No, I do not.

*By Mr. Young:*

Q. That being the case, then, and the further fact that it is not paying them, don't you think it is going to bring its own punishment?—A. It will work out.

Q. You spoke about the Golden Rule. I suppose in your business the Golden Rule means using a baker's dozen, does it? In your dealings with your customers—A. No, but I think the public should be considered as one of the groups.

Q. You have never used that dozen?—A. Personally, I give a cash discount for tickets. Some of the bakers say that it is wrong.

Q. Is that what you call the high price of salesmanship?—A. I believe that any person who pays cash in advance should get something. I think it is proper.

Q. Is it a worth-while discount?—A. Ten per cent.

*By the Chairman:*

Q. Now, we have one more witness. Are there any more questions you want to ask Mr. Morrison, or is there anything else you want to say, Mr. Morrison; have you any papers you want to file with the committee?—A. There is one on a chain store in Toronto, A. & P.

Q. Mr. Morrison files an advertisement. Have you any idea what paper this appeared in?—A. No, I do not. It gives the date. It is a copy of an editorial from one paper.

Q. It is an A. & P. advertisement.

(Witness discharged.)

E. A. BURGESS, called and sworn.

*By Mr. Parry:*

Q. You are a member of the baking firm of Burgess and Shelley of Kitchener?—A. Yes.

Q. And you have been a baker for years?—A. Eleven years.

Q. And for eight years, I understand, you were president of an organization known as the Dominion Bakers' Association?—A. Of Waterloo, Welland and Huron counties; later of the Dominion Bakers' Association.

Q. And you feel justified to speak for the bakers in the vicinity of Kitchener—the counties of Waterloo, Welland and Huron?—A. Yes.

Q. Will you tell the committee the conditions under which the industry is labouring in your community?—A. The conditions as we have them at the present time: we have one chain baker selling to a chain store which is always a cent below our retail price.

Q. Do you object to that?—A. Well, it is an advantage they have over us, of course; but outside of that the chain bakers have been very fair in the house-to-house trade. They have always kept the price with us.

Q. What do you mean by house-to-house trade? Delivery?—A. Delivery. Yes, they have a depot there—the chain bakery has. And our difficulties mostly are with those fly-by-night men who start up and sell to independent stores which advertise at such ridiculously low prices. That part of our trade goes downtown, and we have to keep a driver for auxiliary purposes—when there is bad weather or you want to buy a cake or some buns or something else, and use us more or less as an accommodation. I might state that in our own case we have been trying to get the prices of all equal—not too high for the family. We will say 8 cents a loaf which is a fairly good loaf for a family.

Q. Is that a pound and a half loaf?—A. A pound and a half. And then we have a better loaf which contains more ingredients for 9 cents, and I might state that through these fly-by-night fellows and chain stores and independent stores our volume has just been reduced by about one-third, and the result of that has been that our profits have diminished to an extent that we have had to cut our salaries just 50 per cent.

Q. You state that owing to the independents and chain stores and through what you call fly-by-night purchases you have had to cut your wages 50 per cent?—A. Yes, in order to keep going.

Q. Under what conditions are these manufacturers of bread operating?—A. Well, I would call it a foreigner taking perhaps two or three men in of his own country. They will stand them before a wooden box and say, "Now, go to the dough," and give them \$6 a week.

Q. Do you know of cases?—A. Yes, I know.

Q. Cases of where \$6 a week have been paid for men working long hours?—A. Well, they would work all night for that.

Q. For \$6 a week?—A. Yes. I might also state that three of these bakeries have gone into liquidation, and as soon as they step out there is always somebody to step in and do the same thing all over again. We were getting 8 cents for our relief bread because we were producing a fairly good loaf and they came along and said, "We will give you bread for 6 cents," which, of course, is another loss of our volume. I might state a case west of Stratford. There is one man has a grocery store, an elevator and a restaurant. He says, "There are too many bakers in the town, we will have to put a few out of business" and he sells the bread over the counter for 5 cents with the result that the other bakers sell it for 5 cents. In the meantime this has been going on for six months, and they are just waiting for Providence to do something or something to happen that this should stop. I was up there a week ago trying to talk sense, and I have always been a kind of missionary in that section trying to get a little brains into some of those competitors. I have a few ads that I have as exhibits to show what has been going on within the month of April.

Q. You are producing what purports to be a newspaper advertisement?—A. From the local paper, the Kitchener *Record*.



Q. It is dated Thursday, April 19, 1934?—A. Yes.

Q. It refers to the Canadian Department Stores groceteria offering fresh bread for 5 cents a loaf?—A. They could sell, well, for 11 cents, because they buy it for 9 cents, but they cannot sell the bread at a profit. That is one sure thing.

Q. What about this fresh bread for 5 cents a loaf at Bueher's?—A. That is a butcher shop. We had never thought of any meat shop or butcher shop in our city selling bread until this element got in and sold it, and they upset the whole works.

Q. And used it as a leader?—A. And used it as a leader.

Q. And has done your baking community harm. Now, Shell Brothers, what do they handle?—A. It is a general grocery store. At one time we did sell them, but never at a price that we could sell at, and he says that they have to support these foreigners because they are the means of keeping prices down.

Q. What about the conditions under which the bread is made in these foreigner's shops; are they good conditions or not?—A. Some of them not very good.

Q. What about your medical health officer; does he inspect these places?—A. The law is not kept any too strict in those things. In other words, as I have advocated for a long time, the bakery should have government inspection, not local inspection, to keep these fellows in order.

Mr. FACTOR: You mean Dominion government inspection?

The WITNESS: Yes.

*By Mr. Young:*

Q. Have you been in some of these fly-by-night shops?—A. Yes.

Q. You say they are not sanitary?—A. Just to give you an idea. The front part of the shop is a bakeshop, the rear end of the shop is the bedroom, and downstairs is the living room in the cellar.

Q. Is that front part of the shop where they make their bread, and is that clean?—A. Yes, fairly clean.

Mr. EDWARDS: That is not a very good recommendation for your local authorities.

The WITNESS: I agree with you on that.

*By the Chairman:*

Q. That can be covered by the municipal authorities quite easily, can it not?—A. I think so.

Q. It is purely a matter of local health inspection?—A. A question of sanitary conditions—inspection.

Q. Well, have you any other recommendations or submissions to make to this committee on behalf of the bakers of your counties?—A. In my opinion, I think it would be a grand thing if the government could set up some kind of a licensing board that we could get a committee to go and have them function and do away with a lot of these fly-by-night fellows, or so-called bakers that should not be in the business.

*By Mr. Young:*

Q. On what basis would you put them out? You would have to make certain rules and have them complied with. What would your rules be?—A. First of all, what have you got to start with? You haven't anything to start with.

Q. This man has turned his kitchen into a bakeshop. Instead of baking bread for his family he is baking it for the neighbours. Would you not allow that?—A. No.



The CHAIRMAN: You would not allow him to bake the bread in an ante-room to his bedroom?

The WITNESS: No.

Mr. YOUNG: Would you carry that a step further and say that a person could not bake bread for his own family if his kitchen is next to the bedroom?

The WITNESS: No.

Mr. EDWARDS: No. The conditions are different entirely.

The WITNESS: If you take a few loaves of bread in comparison with hundreds of loaves of bread to the community you have to go about it in a larger volume and you have got to use a little different method than if you bake a dozen loaves for your own family.

*By Mr. Young:*

Q. You told us about this 9 cent loaf. Where does the 9 cents go?—A. First of all, we do not keep track, as a small independent baker. We only get an annual statement. I could not give you the percentage of costs, but we try to make a good loaf of bread which is 50 per cent of our output, and that has been the only thing that has been helping us keep our head above water. The other portion which goes as low as wholesale at 7 cents and retail at 8 cents, we could not exist on that.

Q. You are making your money on the 9 cent loaf. Do you deliver it for that?—A. We deliver it.

Q. Are your delivery costs high?—A. Our drivers used to get \$30. Now it is \$12 and \$13. We pay them a 10 per cent commission.

Q. Would your delivery costs be as high as those in a city like Ottawa or Toronto?—A. Perhaps not quite as high.

Q. What competition have you in your own town in the matter of delivery? A. Well, the chain stores deliver bread with their grocery orders.

Q. And you are the only baker that does nothing else?—A. Yes, we have nothing else.

Q. You have no competition?—A. Oh, yes, there are other bakers there—quite a number. One time there were about six, I guess there are about sixteen now.

Q. You could not break down that 9 cents and tell us how much is ingredients and how much is labour?—A. No. I could not give you an exact figure on that. I know the public is well satisfied to pay us 9 cents on that, because we have been holding our business. That has been our only salvation in the last three years. When the bakers fell over each other to get the price down, I said that there was only one thing we could do and that was give the people a good loaf of bread and they will pay for it, and that is the only thing that would save us from rack and ruin.

Q. It is in the last three years that the prices have been coming down?—A. Yes.

Q. And it is in the last three years that these fly-by-nighters have been there?—A. They come and go.

Q. It only started in the last three years?—A. Yes.

Q. And did they force you to cut prices in the first instance?—A. Yes, that is the way they got their start.

Q. If it had not been for them you would not have cut the prices?—A. Well, we would have been there with the cheaper loaf to meet the chain stores. Our secondary loaf is a fairly good loaf—as good as the chain store—because we try to keep it as good as theirs.

Q. It was the competition with the chain stores and the fly-by-nighters that forced you to cut the price?—A. Yes.

*By Mr. Edwards:*

Q. What proportion of the bread sold in Kitchener and Waterloo would be coming from that kind of establishment?—A. Oh, it might run 10 or 15 per cent, perhaps 20. I could not say for sure.

Q. You do not know if that condition obtains any place else in the district?—A. Not so much because Kitchener is either way; a lot of these fellows that are there now had gone out west originally to take up land and work on the land, and when conditions got poor they went back to their class of people, with their friends or relations, and for the most part they are European nationalities.

*By Mr. Edwards:*

Q. I would like to make it perfectly clear that these conditions do not obtain in Waterloo county generally?—A. No, this is just the situation in Kitchener particularly.

Q. They are Russians and Mennonites?—A. Yes, and some are Austrians, and some are Roumanians.

*By Mr. Boulanger:*

Q. In your district have you any mill-owned bakeries?—A. No, it is strange with the city of Kitchener and the town of Waterloo right together we haven't one mill-owned bakery, although we did have bread sold by them perhaps two or three years ago.

*By Mr. Parry:*

Q. Did any mill-owned bakery ship bread into Kitchener?—A. One, as I said, in years gone by.

Q. To a baking plant?—A. They supplied Loblaw's store.

*By Mr. Boulanger:*

Q. Did you have any trouble with them?—A. They were always selling under us bakers.

*By Mr. Kennedy (Peace River):*

Q. You are paying some of your drivers \$12 a week?—A. Yes.

Q. Are any of these drivers married men?—A. They are all married men.

Q. They would have a hard time getting along with that?—A. They sure have, many a week I give them a dollar or two extra just to kind of help them along.

Q. That is all the business will pay?—A. I will just tell you that our annual statement will show that on a \$90,000 investment we made only \$500 last year—that included our total return on investment.

*By Mr. Young:*

Q. You spoke of cutting salaries; did the 50 per cent cut of salaries include both salaries and wages?—A. Personally I used to draw a salary of \$3,000 a year, and it is now down to \$1,600; that is wages that I had in mind, we are all cut 50 per cent except the foremen.

*By Mr. Kennedy (Peace River):*

Q. What do your bakers get?—A. The helpers would get from \$14 to \$16 a week.

Q. What did they get in 1929?—A. They were getting from \$22 to \$26 a week.

*By Mr. Young:*

Q. As helpers?—A. Yes—they were not bakers, they were second men.

*By Mr. Kennedy (Peace River):*

Q. What did the bakers get?—A. Thirty dollars a week.

The CHAIRMAN: Thank you very much, Mr. Burgess.

The Committee adjourned at 5.30 p.m., to meet again on Wednesday, May 2, 1934, at 11 o'clock a.m.





HOUSE OF COMMONS, ROOM 368,

May 2, 1934.

The special committee appointed to inquire into price spreads and mass buying met at 11 o'clock, a.m., Hon. H. H. Stevens presiding.

Mr. W. W. Parry, K.C., of Toronto, appeared as counsel for the committee.

The CHAIRMAN: Order please, gentlemen.

The Minutes for yesterday contain a record of the witnesses heard, and certain documents filed, together with a record of the Resolution by Mr. Boulanger regarding certain petitions filed in the House of Commons to be presented; and the afternoon session records the witnesses heard and certain exhibits filed. Unless there are any corrections or changes, we will declare the Minutes approved.

Now, Mr. Parry, what have you got.

MR. PARRY: I would like in the first place to table with the committee a suggested code, the word is used by the Bakers' Branch of the Maritime Section of the Retail Merchants Association, which was delivered to Mr. Thomas Bell, M.P., a member of this committee. This contains the suggestion for a code for the baking industry. This letter and the supporting affidavits with related material, forwarded by Mr. Bell in his letter of April 4, probably present the case just as well as any witness might have done had one been forthcoming, in appearing before this committee. The letter reads in part as follows:

In compliance with instructions from your Committee, preliminary meetings of the members of the Baking Industry were held in this City with final meeting on Tuesday evening, March 27, at which the enclosed Code for the Industry was adopted with only one dissenting voice.

Since that time certain developments have taken place necessitating immediate action on somebody's part, if chaos is not going to completely envelop this industry.

The situation culminated in one of the larger bakers dropping the price from eleven cents retail to eight cents retail, with a seven cent wholesale price, last Monday morning, in a direct effort to bring the thirty to forty odd small bakers into line and I am enclosing copy of the first ad which appeared in our local newspaper. All Bakers, due to local conditions where we have such a large proportion of home baking, are working on a considerably curtailed volume and the other responsible bakers are faced with the situation now of meeting this price with a known-in-advance, direct loss to themselves or be gradually eliminated from business. In the East with us, on account of the Geographical situation, raw ingredients cost our bakers approximately one cent per pound more for all material compared with upper Canada and also in contrast approximately ninety-five per cent of the business with us in the Maritimes is done wholesale through the grocer, so that any price change, such as mentioned above, has drastic effects.

I would like, Mr. Chairman, for the purpose of the comparisons which will later be made, to read into the record the details of prices as they are recorded

here with respect to the cost of manufacture, as supplied by the Maritime manufacturers:—

The following figures were obtained from a local, responsible bakery, showing actual costs of the loaf of bread to this particular concern based on the volume as of to-day, making proper allowances for taxes, insurance, workmen's compensation and depreciation write-offs. These figures give a fair picture of what the responsible members of the industry are faced with at to-day's price:

Ingredients		Manufacturing	
	Cents		Cents
Flour .. . . .	2.45	Insurance .. . . .	.18
Yeast .. . . .	.17	Prod. wages .. . . .	.92
Malt .. . . .	.09	Fuel .. . . .	.34
Arkady .. . . .	.02	Power and light .. . . .	.15
Shortening .. . . .	.23	Cleaning .. . . .	.01
Salt .. . . .	.03	Mach. R & M .. . . .	.07
Sugar .. . . .	.21	R & M Bldgs. .. . . .	.02
Milk .. . . .	.20	Taxes .. . . .	.13
Raisins .. . . .	.07		
Wraps .. . . .	.41		1.82
Miscellaneous .. . . .	.08		
	3.96	Depreciation .. . . .	.40
			2.22
Total ingred. and mfg. .. . . .			6.18
Selling and Delivery		Office & General	
Express .. . . .	.83	Bad debts .. . . .	.03
Wages .. . . .	.89	Superintendence .. . . .	.38
H. H. & W. .. . . .	.24	Office salaries .. . . .	.12
Autos .. . . .	.10	Stationery .. . . .	.03
Insurance .. . . .	.04	Tel. & tel. .. . . .	.02
Advertising .. . . .	.34	Postage .. . . .	.01
	2.44	Exchange .. . . .	.01
Depreciation .. . . .	.23	Sundry .. . . .	.02
	2.67		.61
Total sell and delivery and office and general .. . . .			3.28
Cost price .. . . .			9.46
(Before present situation) selling price .. . . .			9.36
Loss .. . . .			.10

And this, as the communication sets forth, is a condition which is intensified by the drop in price to 7 cents.

Mr. HEAPS: Can you tell the committee what size of loaf that is?

Mr. PARRY: That is the pound and a half loaf.

Mr. EDWARDS: It is a pound and a half always.

Mr. PARRY: With your permission, Mr. Chairman, I would like to file for record purposes a series of affidavits dealing with conditions in the Maritime Provinces, from the point of view of wages, amplifying evidence already given as to the effect of competition on wages and conditions generally.

Mr. JAMES DEMPSTER, called and sworn.

*By Mr. Parry:*

Q. Mr. Dempster, you are a baker carrying on your business in the city of Toronto?—A. Yes, sir.

Q. And I understand that you are the third generation of the Dempster family that has been engaged in the baking business in Toronto?—A. Yes, sir.

Q. And as such you have had ample experience in the ramifications of this particular business?—A. Considerable, yes, sir.



Q. Now, you are here to discuss with the committee the causes of the recent competition, and events that have taken place in the baking industry. I would be glad if you would in your own way for the moment at least tell the committee briefly the changes that have taken place in the past ten years in the baking industry in Toronto. By the way, Mr. Dempster, you are a 100 per cent independent baker?—A. Family bakery, sir.

Q. Your stock is held in the family?—A. Held in the family, sir.

Q. You have no connection directly or indirectly with any milling company?—A. We have no outside capital whatever.

Q. Will you just proceed?—A. The last ten years in the baking business has seen a most significant and gradual appearance of mills buying their way into the baking field. This probably foreruns other developments since.

Q. You might perhaps tell us why, in your opinion, the mills broke into the secure a share of the domestic sale of flour due to the curtailing of the export bakery field?—A. In my opinion this was thought advisable by the mills to market.

*By the Chairman:*

Q. You say, secure a share; you mean, to insure to that particular mill control of all the flour to certain bakeries?—A. Yes, sir.

Q. Because, they had their share before?—A. As commonly expressed, to find an outlet for flour.

*By Mr. Parry:*

Q. For their own flour?—A. For their own flour, through their subsidiary baking company.

*By the Chairman:*

Q. Through controlled bakeries?—A. Yes, sir. In my opinion that is the prime reason the mills have entered the bakery field.

*By Mr. Parry:*

Q. What has been the influence of the mill-controlled bakery on the baking situation in the city of Toronto?—A. In fairness to the mill-controlled bakeries I must say that they conduct business in a business-like manner, as they see it. Our experience has shown that we have successfully competed against them, but at annually enlarging costs for selling and distribution. Our distribution costs year after year have shown a steady increase, which I claim is due to the necessity for us making more aggressive selling campaigns. We find it necessary to be more aggressive in our advertising and trade-getting methods successfully to compete against the mill-controlled operator.

Q. To meet this competition your costs as an independent have gone up ever since they have entered the business?—A. Yes.

*By Mr. Factor:*

Q. Your distribution costs have increased?—A. Our distribution costs have increased, which we find necessary to maintain our volume against the very intensive methods of the mill-controlled bakeries in Toronto which, of course, are enormous.

*By Mr. Young:*

Q. You say their costs are increasing enormously?—A. I am not in a position to say.

*By Mr. Edwards:*

Q. Have you increased your selling area?—A. Slightly, not very much; we have developed the business largely in the west and north end of Toronto.

*By Mr. Young:*

Q. Why do you say these men are business-like?—A. I said, as they see it.

Q. As they see it; do you call it business-like to increase selling costs?—A. I could hardly answer that question in the affirmative, we have found it necessary in order to maintain our volume; and I have a 10-years' statement with me to support my facts. We have had to go more aggressively after business, and we have successfully done so.

*By Mr. Heaps:*

Q. Have you had any difficulty in buying the supplies you wanted?—A. None whatever, sir.

*By Mr. Factor:*

Q. You mean, flour?—A. No.

Q. You are not tied down to any one mill?—A. We buy where we think the value is best.

*By Mr. Parry:*

Q. Would you say, had it not been for that competition that it would have been necessary to increase the cost of production to such an extent over this past eight or ten years?—A. I think that is a very reasonable inference.

Q. Is it a fact?—A. To my knowledge, it is a fact.

*By Mr. Factor:*

Q. Is the mill-owned bakery any more efficient than your own business?—A. No, sir.

*By Mr. Parry:*

Q. Will you just indicate to the committee in what respect costs have been increased, along what line?—A. Taken from our annual statement year by year, up to the end of 1927 our delivery costs, not including administration costs, which are commonly known as office and overhead, our delivery costs have increased from around 22 per cent up to 30 per cent, 29 per cent, or 27½ per cent of our total sales.

*By the Chairman:*

Q. Per cent of what, the retail price of bread?—A. Our total income.

Q. Oh yes?—A. We are largely a retail distribution bakery.

*By Mr. Factor:*

Q. From 22 to what; what was your highest point?—A. 30·05 per cent.

*By Mr. Heaps:*

Q. Have your sales increased during that period?—A. No, our sales have been very constant, they have shown probably an increase of \$30,000 in that period.

Q. How does the increase in cost compare with your increased production?—A. The increased cost of delivery from 22 per cent to 30 per cent would be an outlay of from \$22,000 to \$23,000 a year more selling per cent.

*By Mr. Senn:*

Q. What proportion of your sales are through grocery stores, or other sources than wagons?

*By Mr. Parry:*

Q. You might develop that, Mr. Dempster; you are getting into that as you are giving us particulars with respect to your cost of administration?—A. If you will pardon me, sir, we are dealing pretty well with the mill-controlled end of the baking business, or the influence of the mill-controlled.

Q. Will you just proceed with that, we will take chain stores?—A. Am I asked to say whether the mill-controlled is a benefit or a detriment to the baking industry?

*By Mr. Factor:*

Q. No, we are discussing the increase in distribution costs. Will you give us the details, tell us specifically how and in what manner your selling costs have increased?—A. That is answered by the more aggressive selling methods, that is the general statement.

Q. What would that include?—A. Larger advertising appropriations, more bread solicitors on the road, office expenses, and the like.

*By the Chairman:*

Q. Apropos that point: has this intensive selling campaign which you, and others I presume, have put on increased the consumption of bread as distinguished from cakes and pies and other things?—A. Not in the least, sir.

*By Mr. Heaps:*

Q. What periods were you giving us?—A. I am dating back from 1923 to 1932, a ten-year period.

*By Mr. Factor:*

Q. Have you increased the selling commission paid to your salesmen?—A. I would say that the remuneration paid to salesmen is largely the same as it was in 1923. It might be slightly less to-day, I cannot say; but in 1932 I would say they were very comparably the same as in 1923.

*By Mr. Senn:*

Q. Is that straight salary, or on a salary and commission basis?—A. It is a mixture of both, sir, we pay a minimum wage, and we pay a salary plus commission, and in that case it must be no less than the minimum wage.

Q. The salesman is responsible for collections as well?—A. Not in our firm, sir.

*By Mr. Heaps:*

Q. What do these men make?—A. The average salesman to-day is making from \$23 to \$23.50 or \$24 a week.

Q. Can you tell us in what year you reached the peak of your production?—A. Our unit sales were very constant, there is very little variation from 1923 to 1930, there is less than half of one per cent difference, apparently, by this table.

Q. Between 1930 and 1933?—A. That enters a new development, any change since 1930 I do not attribute to mill-controlled in the least.

Q. Do you attribute it to the hard times?—A. Partly, and partly to the more direct method of selling which has been developed through chain stores and such agencies.



*By Mr. Parry:*

Q. What is your opinion of the chain store development from 1930 to 1933?—A. We have found that the chain store very successfully competed against us through retail deliveries to the home to the diminution of bread sold to the retail connections.

*By the Chairman:*

Q. Have you had an increase since 1930?—A. We have had a decrease since 1930.

*By Mr. Senn:*

Q. That is, a decrease in production?—A. In production.

*By Mr. Heaps:*

Q. Can you tell us why that same condition would not apply to the other bakeries in Toronto?—A. I think it is a general condition; but the bread supply to homes is less than it was three years ago.

Q. The consumption of bread is less to-day than it was three or four years ago?—A. I should think that the consumption would be very constant in the city of Toronto.

*By Mr. Edwards:*

Q. Has home-baking increased in the district?—A. No, home baking has lost out in the city of Toronto.

Q. It has very materially increased in the territory in which I live?

Mr. SENN: It has in all the rural districts.

Mr. EDWARDS: Very materially.

*By Mr. Parry:*

Q. You do not regard it as a competitive factor at all?—A. Not in the least.

Q. Will you just proceed, please; the chain stores have a certain effect on your business?—A. I think the effect is very general on the industry. The Chain Store probably regard bread and milk as two prominent articles of sale for daily consumption, so it is to their advantage to sell these articles as close to cost as possible. I have evidence to show, I think, that they have been sold at times directly below cost. We have knowledge in Toronto bread was even given away on Saturdays with groceries; I think that is a glaring abuse on the baking industry, and it is being developed at this time.

*By Mr. Factor:*

Q. Where would the chain stores buy this bread which they sell at cost or below cost?—A. Some of the chains originally started their own baking plants. There is only one chain in Toronto now that operates its own baking plant, the other chain stores have made contracts with certain bakeries.

Q. Independent or mill owned?—A. Both types.

Q. How is the quality of the bread that they sell?—A. A good wholesome second-class loaf.

Q. What effect has this competition had on the independent bakeries in Toronto?—A. I think it has made conditions difficult for the independent bakers. It has also made it difficult for the independent dealers, that is the smaller grocery stores and such like, the very intensive methods adopted by the chain stores in selling bread at or close to cost.

Q. How have you met this competition?—A. Being an independent bakery we consider that the independent trader should have rights, and the independent grocer should have rights, to sell bread in direct competition with the chain stores; and we have been successful in demonstrating that right in supplying the independent groceries in Toronto with a very wholesome grade of bread in direct competition with the chain store product.

*By Mr. Factor:*

Q. Is it a good wholesome second-class of bread?—A. It is a very good grocery loaf.

*By Mr. Parry:*

Q. What do you say is the difference between a quality loaf and a wholesome loaf such as you are referring to?—A. There is not the variety available in the grocery loaf, it is a one-shape loaf, it is a production loaf turned out with a minimum of handling, and as far as quality is concerned, it is not quite as finished quality as the ten cent loaf.

*By the Chairman:*

Q. Not so much high quality ingredients like milk and shortening, and so on?—A. Quite, the grade of flour may be slightly lower.

*By Mr. Parry:*

Q. And you are supporting the retail merchant through your firm in his efforts to compete with the chain stores?—A. We feel from the economical sense of delivery that it is very advantageous to the small grocer to be able to compete against the chain-store selling.

Q. Is it working out successfully?—A. We are quite satisfied with it.

Q. Have you developed a large volume of business direct to retail merchants?—A. A very satisfactory volume.

*By Mr. Factor:*

Q. Is it a profitable business?—A. Yes.

*By Mr. Parry:*

Q. Do you believe that this second-quality loaf is here to stay?—A. No, I do not think it is here to stay at its present extent; I think that as times get better people will again swing to the door service.

Q. To the door service?—A. At the present time with the high price of this door service largely brought on by intensive selling methods, the majority of citizens cannot afford to pay for that special service.

*By Mr. Edwards:*

Q. What is the difference in the price of a loaf of bread off the wagons and at the store?—A. The wagon price of the second-grade or grocery-type loaf is 8 cents off wagons; it is generally sold at 7 cents from grocery and chain store.

*By Mr. Parry:*

Q. Do you ship to outside Ontario points?—A. No, we regard the baking business as a very localized type of business, and cannot see any economic reason for shipping a distance.

Q. Would you say that there is anything detrimental to the consumer in shipping to outside points?—A. No. I think shipping to outside points has been carried on generally at the prevailing prices at those points.

Q. In your system of distributions with retail merchants, is he enabled to sell the bread with which you supply him at a price cheaper than the wagon price?—A. He sells that bread at 7 cents, against our delivered price of 8 cents on the grocery or second-grade loaf.

Q. You think that that is an economical adjustment, that he should sell cheaper in the store than you do off your wagon?—A. Yes, and I think it is easy to substantiate the difference by the cost of the service.

Q. But you are of the opinion that you will come back to your own, that is delivery from wagons, when conditions improve, as a result of public demand?—A. No, we will serve the public the way the public wish to be served. If they wish it at the door we will give it to them at the door.

*By Mr. Heaps:*

Q. What is your impression on that point, do you think the people want it delivered by the wagons, or would they prefer to go out and get it for themselves?—A. Unfortunately in these distressed days a large proportion of the public find it necessary to buy the cheaper loaf.

*By Mr. Young:*

Q. Under normal conditions, what has been your experience?—A. Under normal conditions, so far as 1930—the majority of the bread I believe would be serviced to the door.

Q. And if things become normal again you believe they will prefer to buy bread delivered to the homes?—A. Yes, sir.

*By Mr. Factor:*

Q. What is the proportion of bread sold by stores as compared with wagons?—A. I haven't that information.

*By Mr. Parry:*

Q. Could you estimate it, from your own experience?—A. I would guess it at about 50 or more per cent through the stores.

Q. And that would include the bread used as loss leaders?—A. Bread used as loss leaders is only in occasional sales, it has not been the policy of the chain stores to develop loss leader selling recently; in 1930 and 1931 they were quite persistent in loss leader selling.

*By the Chairman:*

Q. With bread?—A. With bread.

*By Mr. Young:*

Q. They are getting away from it now—A. Yes, sir.

*By the Chairman:*

Q. In that figure of 50 per cent, do you include sales to restaurants?—A. No, sir.

Q. That is the retail selling through independent chain stores and such like as against wagons?—A. I want to impress, Mr. Stevens, that that is only my guess.

Q. We had evidence yesterday from another experienced gentleman from Montreal who gave us his opinion; it is worth having, and we appreciate that it is not based on actual figures.



*By Mr. Parry:*

Q. So far, Mr. Dempster, you have left the committee in this position; that the entrance of the mill-owned bakery into the baking situation in Toronto has resulted in increasing costs?—A. Yes.

Q. The entry of the chain store into the situation has decreased prices?—A. Volume.

Q. Price and volume?—A. To the detriment of the retail store.

Q. And prices?—A. No, it has not decreased prices on retail distribution; it has made available a 7 cent loaf through the grocery business.

*By Mr. Factor:*

Q. That being a second-class loaf?—A. A grocery or second-grade loaf.

*By Mr. Parry:*

Q. Are there any other factors which have disturbed the serenity of the baking industry in Toronto?—A. In my opinion there are other factors that have disturbed it more than mill-control in the baking business, although mill control is undesirable, I think, from the public point of view, as the mill has a dual interest of being a miller and also having an outlet for flour through baking ends; and there are other factors I think that are even more acute.

*By Mr. Edwards:*

Q. Would you consider the mill-owned baker more serious competition than the privately owned bakery in your area?—A. More intensive competition, sir.

Q. Is there any reason why you would object to competition from mill-owned bakeries, outside of the fact of chain competition?—A. The only score would be the more expensive type of selling necessary. We find mill-owned bakeries are fair in their methods, but they seem to have evolved a very expensive system of merchandising.

*By the Chairman:*

Q. That is, they have large resources and they utilize these resources, for instance, for introducing cakes, buns, pies and other incidentals into the delivery system?—A. That is part of their advertising campaign.

Q. Which forces you to follow them with the same type of service, which from the bread standpoint is not a necessary service?—A. It would be much preferable if we were competing against privately owned bakers. I do not mind saying that, but we have a condition here which has been created quite locally, and we have to deal with it as we find it.

*By Mr. Parry:*

Q. It does increase the cost of production, for which consumption has to pay?—A. Not of production, the cost of sale.

Q. The cost of delivery?—A. Yes.

Q. For which consumption has to pay?—A. Yes.

*By Mr. Edwards:*

Q. Permit me a question, Mr. Dempster. Is it your view that the method of distribution by the mill-owned bakers is economically unsound; in other words, that they operate at a loss?—A. I can't answer that question. I think that should be left to the public to decide, whether they think the service is too expensive or not.

Q. You have intimated that the distribution system of the mill-owned bakeries force the independently owned bakeries into a more expensive method of distribution?—A. Of counter selling, yes.

Q. Then it follows from that naturally; is it your view that the system of the mill-owned bakeries is economically unsound or is more expensive than the trade warrants?—A. We would be very glad to see it less intensive and less expensive.

Q. Of course, nobody likes intensive competition particularly. That is not the point. It is a question as to whether or not the independent bakeries have to meet a distribution system by mill-owned bakeries that is economically unsound, and that the losses are absorbed somewhere else?—A. There is an economic waste there.

Q. Do you suggest that the mill-owned bakeries operate at a loss, and that that loss is absorbed in some other part of their system?—A. Do I suggest that they operate at a loss?

Q. Yes?—A. The statements, in the last year or so, of the independent mill-controlled bakeries are not good statements.

*By Mr. Heaps:*

Q. Are they as good as your firm's?—A. Our statement is satisfactory to ourselves.

Mr. EDWARDS: Not yourself particularly, but the independent bakeries.

Mr. HEAPS: What I am getting at is, if your firm's statement is more satisfactory than the mill-owned bakeries, then you are competing with them most satisfactorily.

Mr. FACTOR: It would be still more satisfactory if the intensified selling campaign was eliminated.

*By the Chairman:*

Q. Is not this the situation, Mr. Dempster: You are delivering bread in a certain area in Toronto. Along comes a competitor—never mind who he is—with a full page ad. in the evening paper, about some fancy bread?—A. Yes.

Q. At a lower price; that immediately constitutes costly competition for you?—A. Yes.

Q. In other words, if you don't meet that competition substantially, either in the same way with a costly advertising campaign or some other form, then you are going to go out?—A. That is the answer completely, sir.

Q. The point is that a large, powerfully backed institution or competitor in the bakery business is able to put on a campaign of that character, where the normal bakery company would never think of conducting that type of campaign?—A. They would certainly not initiate that type of selling.

*By Mr. Factor:*

Q. The point is this: There is nothing unfair nor unethical about the method of advertising of the mill-owned bakeries, is there?—A. Unless one could construe that this advertising and intensified selling has a secondary purpose in the outlet for flour.

Q. But there is nothing objectionable about the manner of advertising; you find nothing objectionable about it?—A. No misstatements in the ads.

Q. That is what I mean?—A. Not at all.

*By Mr. Edwards:*

Q. Is your chief objection to this competition that it is bigger and stronger than the independents?—A. I am not objecting. I think I have demonstrated

very clearly that we have met it quite successfully. I am just trying to indicate the difficulty to-day of operating business, as against ten years ago. We are not complaining. All we ask is a fair field, and let the best man win.

Q. Then you are not objecting to the mill-owned bakeries operating?—A. I regret that it is necessary to increase your selling costs abnormally, and allow the opportunity for grocery loaf selling against this type of selling.

Q. It is the stiffness of their competition that you are feeling?—A. There is no doubt of that.

*By Mr. Senn:*

Q. Would you say that competition results in higher costs to the consumer, Mr. Dempster?—A. In the long run, all costs have to be passed on to the consumer.

Q. Or to the producer?—A. Or the producer.

*By the Chairman:*

Q. Or taken out of the hides of the workers?—A. I cannot say that the mill-controlled bakeries have been exploiting labour.

The CHAIRMAN: I don't say so either.

*By Mr. Heaps:*

Q. Mr. Dempster, to your knowledge do you know whether the mill-controlled bakeries charge the same price to their bakeries as you pay for your flour?—A. I have no information on that point. We buy on the open market, on a strictly quality price or value basis.

Q. You have no idea of that?—A. As to what the mill-owned bakeries pay for their flour?

Q. Yes?—A. No, I have no idea.

*By Mr. Kennedy (Winnipeg):*

Q. Is there any understanding between bakers generally, as to maintaining the price of bread?—A. No, sir. The price is largely dictated by the close proximity of costs.

Q. There is no understanding as to maintaining the price?—A. What do you mean by "understanding"?

The CHAIRMAN: Among the bakers, bakery companies.

*By Mr. Kennedy (Winnipeg):*

Q. I mean just what I say; among bakery companies, is there any understanding as to the price they will charge the public for their bread?—A. In explanation of that statement, I might say that some years ago we as independent bakers considered the price of bread at 11 cents was too high. We reduced, or our firm reduced the price of bread to 10 cents, and were followed the next day by the rest of the trade in Toronto.

Q. They would naturally follow the competition?—A. Yes.

Q. But is there any general understanding among bakeries as to maintaining a uniform price?—A. No, sir, there is no general understanding about maintaining prices.

Q. Well, is there any understanding?—A. There is always a preliminary discussion regarding the fairness or necessity of lowering or raising a price.

Q. I am not objecting to it, but I don't think there should be such reluctance about saying so?—A. In my own opinion, it is a very fair arrangement; and the public has not militated against it.



Q. Will you go ahead and tell us what the arrangement is as to maintaining prices?—A. Before the price was shifted upwards, every firm must feel it is absolutely necessary or there is no move.

Q. Then there is an understanding before there is a change in the price of bread?—A. There must be acquiescence in the necessity of the move.

Q. By all the bakers?—A. By a complete—by the bakers, yes.

*By Mr. Senn:*

Q. In how large an area?—A. Quite locally. That works all through the province in localities.

*By Mr. Edwards:*

Q. Following Mr. Kennedy's question, don't you think it would be a very good plan, of benefit to those in the business, if there was an understanding? What is wrong with a fair price for merchandise? That is what I want to get?—A. I think any arbitrary setting of resale prices would not clear the situation entirely.

Q. I mean, a fair price for your merchandise based on your cost?—A. May I question you? How would that be worked out? Who would decide on the fair price?

Q. Well, if you want to go into that, I would say your group. You base your cost on cost of material plus your labour, plus overhead?—A. I think I might answer that by proceeding a little farther with what we call other grievances in the business. I think that would answer that.

Q. Just on that one point, is there any objection, or do you see any objection to fixing an honest to goodness price for your merchandise?—A. None whatever. I think nobody is hurt, public or trade.

Q. I quite agree?—A. Mr. Parry, I think we were proceeding to other grievances in the business, were we not?

*By Mr. Parry:*

Q. Yes, other competition?—A. That is more grievances, this mill control influence.

*By Mr. Factor:*

Q. May I ask one question there? Can you tell me whether the cost to the consumer has increased since the mill owned bakery came into operation?—A. Our records show that our delivery costs have increased.

Mr. PARRY: That is not the question.

*By Mr. Factor:*

Q. No; has the price of bread that the consumer pays been increased since the mill owned bakery came into operation?—A. I think not.

Q. You think not?—A. No.

*By Mr. Young:*

Q. When did you cut the price from 11 cents to 10 cents?—A. Three or four years ago, I can't tell you the exact date.

Q. About 1930?—A. Around that.

Q. About the time the price of wheat came down?—A. Yes.

Q. And flour came down?—A. Yes.

Q. It has come down to 9 cents, has it not?—A. We sell at 8 cents and 10 cents delivered to the home.

Q. You sell for 10 cents, delivered?—A. 10 or 8 according to the type of loaf that you buy.

Q. What is the cost of the ingredients in the 10 cent loaf?—A. I have not the figures here. I could prepare them. Captain Parry has read the figures for the maritimes as to costs. I have no figures available here, but I could secure them.

Q. I would like to have them?—A. All right. May I proceed with the other things?

*By the Chairman:*

Q. Yes, do proceed, Mr. Dempster?—A. We believe there are other grievances in the trade, coming from you might say the smaller or uncontrolled—from the smaller type of bakery who have no regard for wages paid to their employees, have no regard for the working conditions, working hours or condition of the employee. These people—commonly called bootleggers or pirates or what you wish to call them—have proved, in the aggregate, nasty competition in producing bread at low prices. We even have one case in point where a firm in Toronto, which was investigated under the Fair Wage Act, was found to be paying its men around \$8 a week. This man to-day enjoys a large city contract given by the House of Industry in Toronto, without reference to the conditions obtaining in his shop.

Q. That is a question, Mr. Dempster, that is up to the local health authorities and municipal authorities, is it not?—A. I understand this House of Industry is run by a board of citizens. A thorough investigation was made.

Q. I mean, in regard to the conditions of the shop?—A. Yes, unfortunately.

Q. Sanitary conditions and fire hazards and so on?—A. Yes, sanitary conditions but not wage conditions.

*By Mr. Heaps:*

Q. Wage conditions do not come under any one jurisdiction at all?—A. Unless a man enjoys a contract with the city, he can refuse information as to his wages.

Q. What I am getting at is that there is no fair wage clause in the province of Ontario, or most of the other provinces, that covers male labour?—A. Not that I am aware of.

*By Mr. Parry:*

Q. This contract was for the distribution of relief?—A. For the distribution of bread for relief, under the House of Industry. I think this matter was thoroughly aired in the Board of Control, but the contract was renewed with the people cognizant of the low scale of wages being paid.

*By Mr. Young:*

Q. What is the price of that bread?—A. It is made by the Gula firm, and it is sold on contract. I understand the price is around 4½ cents a loaf.

*By Mr. Factor:*

Q. For a 21-ounce loaf?—A. For a 24-ounce loaf.

*By Mr. Young:*

Q. That is the same as your 7 cent loaf, is it?—A. Yes, the same weight. I am not sure that it is the same quality.

Q. What is the difference in the service? You put your 7 cent loaf into a local store for that price?—A. Yes.

Q. This man delivers it by the thousand, does he?—A. He delivers probably a truck load at one time, one institution.

Q. What saving would be effected there?—A. His delivery would probably cost him—with his scale of wages, it would cost him very little.

*By Mr. Kennedy (Winnipeg):*

Q. To what extent are female employees used in the bakery business?—A. To a very limited extent.

Q. Five per cent, ten per cent—what would you say?—A. I think that would be quite sufficient. There are no females at night, and the baking business is a night-time business. There are some used in the cake shops in the daytime.

*By Mr. Heaps:*

Q. Is there much labour employed inside of your shops now, in the baking industry?—A. Yes, there is a considerable amount.

Q. Has the labour ratio, during the last fifteen years, decreased?

Mr. KENNEDY (Winnipeg): You mean by reason of mechanization?

Mr. HEAPS: Yes, machinery.

The WITNESS: No, I don't think there has been much change. There are quite a lot of various shapes of loaves serviced to the doors, peculiar types of loaves.

Q. With the amount of new machinery and equipment that is being used in the manufacture of bread, hands scarcely touch a loaf of bread, do they?—A. That is right.

Q. Has there not been a reduction in the amount of labour that is utilized in the production of bread in the last few years?—A. I would say that the growth over the last fifteen years in what we call new, larger type bakeries has more than compensated for the reduction in the labour that would have taken place.

Q. Has the ratio of labour going into a loaf of bread been reduced in that period?—A. There is no home-baked bread now, practically. Twenty or twenty-five years ago there was considerable home-baked bread. I can't say there has been any marked reduction in the number of men employed.

Q. You are talking about the number of men employed. I am referring to the ratio of labour going into a loaf of bread?—A. In view of the fact that home-baked bread has been eliminated from the Toronto area, I really must say again that I don't think the quantity of labour has been restricted or reduced.

*By the Chairman:*

Q. Mr. Heaps, I presume, is referring to the extension of the use of machinery in the bread-making industry?—A. Yes.

Q. Has that resulted in the diminution of the labour factor?—A. I can't answer that question, Mr. Stevens, due to the growth of bakeries in the urban centres.

Q. How about yourself? Do you use as many men? Are there as many men in your employ now as there were in 1923?—A. Yes.

*By Mr. Parry:*

Q. Are there as many commensurate with your volume?

The CHAIRMAN: His volume has not changed, he says.

The WITNESS: Our volume is quite satisfactory. It is higher than formerly.

*By Mr. Parry:*

Q. What Mr. Heaps is trying to find out, and what we all want to know, is whether the mechanization of the baking industry has resulted in throwing out of employment a proportion of men, in up-to-date bakeries?—A. In theory, any intensified labour—any mechanical means of producing an article would reduce the labour in any industry. The introduction of machinery always tends to reduce the number of manual workers.



Q. Then it has reduced it, in practice?—A. I say with the compensating effect of home baking being wiped out, as it were, and the growth of these larger bakeries in the last fifteen or twenty years, I can't say that there has been any marked diminution of the amount of labour involved.

*By Mr. Heaps:*

Q. What you mean to say is this, that with the increased amount of bread production by the modern, large, up-to-date bakeries, on account of that factor A. Practically. It has merely taken the work from the housewife to the baker. they have been able to maintain the same number of employees as formerly?—

Q. Has the ratio of labour to the pound or pound and a half loaf of bread been reduced?—A. The production per man is doubtless much larger than it was twenty years ago.

Q. Do you know what that increase per man is to-day?—A. No, I could not tell you that.

Mr. EDWARDS: It is taken off the housewife and put on the machine.

*By the Chairman:*

Q. Will you proceed, Mr. Dempster?—A. Getting along with the nuisance, we might say, of the smaller man who recognizes no ethics in business, we would respectfully suggest that this committee consider some sort of fixed minimum pay for bakery workers. We would also suggest, if it were possible, to make illegal loss selling; that is, put business on a cost plus basis without any artificial restriction. In other words, a fair field, and let the best operator set the price

*By Mr. Parry:*

Q. Where the competition is fair, you will take your own chance?—  
A. We are quite satisfied with fair competition, on good humanitarian grounds.

*By Mr. Heaps:*

Q. Are you in favour of a code, as was suggested this morning by the bakers of the maritimes?—A. I always think that a code, a strict code, is very hard to enforce. Getting back to purely economic laws, business will take care of itself as long as there are definite rules of how to play the game.

*By the Chairman:*

Q. But you want definite rules?—A. Yes.

Q. Regarding labour?—A. Yes, for the good of the worker, for the good of the public, and also for the good of the efficient operator.

*By Mr. Kennedy (Winnipeg):*

Q. It is well to have everybody know what an offside play is?—A. Yes.

*By Mr. Heaps:*

Q. Who would you have enforce those rules? I think very few restrictions would be necessary, such as I have already stated; a definite minimum wage, with severe penalties for not observing the same; and a definite cost plus type of selling, whether by the chain stores or anybody else, with severe penalties for not observing it.

Q. Do you expect some government authority to exercise that power?—  
A. Yes.

*By Mr. Boulanger:*

Q. Mr. Dempster, would you be in favour of the fixation of the price of bread by agreement between bakers of a certain district, or a certain city, or a certain area?—A. I think it is a very fair way of working it.

Q. Would you be in favour of making that price, so fixed, the legal price of bread in that district?—A. I don't think the price of bread should be fixed legally.

Mr. EDWARDS: That would hardly work out. You could ship into that area from outside.

Mr. BOULANGER: The areas would have to be protected.

*By Mr. Edwards:*

Q. I want to ask Mr. Dempster a question. You were stating a little while ago that there was an institution in Toronto, not municipally owned, that was purchasing bread from a baker who, we will say, is not up to standard?—A. Unfortunately it is an institution that is municipally run.

*By Mr. Factor:*

Q. The city runs it?—A. The House of Industry, operated by the city of Toronto.

*By Mr. Edwards:*

Q. That makes it all the worse?—A. Yes.

Q. Then would you say that in the supplying of bread to an institution of that sort, there should be a fair wage clause inserted in the contract?—A. Yes.

*By Mr. Heaps:*

Q. Of course, as I pointed out before, there is no fair wage clause in the province of Ontario for the bakers?—A. No, not for male help.

*By Mr. Parry:*

Q. You are not making the statement that there was no fair wage clause in the Toronto contract, are you? I believe there is.—A. It has already been disclosed by this evidence that this man is not adhering to any fair wage.

Q. But it is there.

*By Mr. Factor:*

Q. Didn't the Board of Control in Toronto go into that question with Mr. Laver?—A. They did. It is not Mr. Laver's department; it is outside of Mr. Laver's department. It is run by the House of Industry, who have not recognized the wishes of the Board of Control.

Q. Is not the same gentleman now supplying all the bread for relief purposes in Toronto, through Mr. Laver's department?—A. No.

Q. He is not?—A. No.

*By Mr. Boulanger:*

Q. When I asked my question a moment ago, I had in mind what was done in regard to milk. Could the same thing be done in regard to bread?—A. I think local groups of merchants that are recognizing fair business practices can well look after the resale price, without government interference.

Q. And could look after competition that came in from the outside?—A. Yes.

*By Mr. Parry:*

Q. How would the consumer be protected?—A. By competition; by the working of the economic law.

Q. But there would be no competition?—A. Yes. If the local bakers unduly enhanced the price of bread, there are plenty of small window bakeries, as we call them, or one-wagon bakeries or what not, to immediately take advantage of that fact.

Q. There would be no agreement?

The CHAIRMAN: Just a minute. I think the committee are getting Mr. Dempster wrong. He didn't support the idea of fixing the price.

The WITNESS: No.

The CHAIRMAN: But he did support the idea of fixing the minimum wage, so that competition in costs would be on a fair basis.

The WITNESS: Quite. Give us fair rules, and the business will look after itself.

*By the Chairman:*

Q. And the elimination of loss leader practices?—A. Yes.

Mr. EDWARDS: I understand he also supports the view that the local trade should be permitted to make their own arrangements as to maintaining fair prices.

The WITNESS: I think that is fair.

Mr. PARRY: We are coming back to price fixing.

Mr. EDWARDS: No, not fixing by law; the right to agree among themselves, and not be in contravention of any anti-combine act.

*By Mr. Parry:*

Q. I repeat, where does the consumer get his protection?—A. By the fact that there are so many; that the baking art is no mystery; that it is possible to start a baking business with a minimum outlay of capital. No unduly enhanced price could survive.

*By Mr. Heaps:*

Q. Have you not that right now, to do what you are suggesting, fix the price among yourselves?—A. Yes.

Q. Why don't you do it?—A. As I have already mentioned, when it is necessary to increase the price there must be a one hundred per cent agreement or acquiescence by the bakers in that locality, to enhance or increase that price.

Q. Do you think you are likely to get more unanimity in the future than you are to-day?—A. We are not so many now.

*By Mr. Edwards:*

Q. You can't sell your goods at any price except the price that the lowest man sells for?—A. I would say the general price; we can sell a poorer quality.

Q. I mean, quality is considered?—A. It is considered, yes. We must sell at the current value.

Q. Mr. Parry has brought up the point about the consumer of bread. Has not the consumer always recourse to baking her own bread?—A. Yes, quite. As I say, baking is no mystery. The price will find its own level.

*By Mr. Factor:*

Q. I would hate to see the consumer revert to that?—A. Not only the consumer, but the small window type bakery is very effective competition, in the aggregate.

*By Mr. Parry:*

Q. Have you any other representations to make?—A. I think I have evidence here of what might be termed loss leader selling of a large chain store,



approximately a year ago to-day. I might say that this practice has largely ceased.

Mr. PARRY: The witness produces an advertisement of March 6, 1933, from the *Mail and Empire* of Toronto, of selling by the Atlantic and Pacific of a 24-ounce loaf, Big Ann Page bread, the same fine quality and texture—made in our own sunlight bakeries from the finest ingredients—in wax-tight wrapper for your health's protection, 5 cents.

The WITNESS: For one week only.

*By Mr. Kennedy (Peace River):*

Q. When did the loss leader practice cease?—A. Well, we have not been confronted with it for, I would say, nearly a year. Here is evidence that this minimum wage is not being observed even in city contracts.

(Advertisement of March 6, 1933, and clipping from *Evening Telegram* of February 8, 1934, filed, marked Exhibit No. 114.)

*By Mr. Heaps:*

Q. With regard to loss leaders, do any of the large bakery firms put on loss leaders?—A. No, sir.

*By Mr. Young:*

Q. You used to sell bread at 11 cents, your best bread; now your best bread sells for 10 cents?—A. Yes.

Q. Can you tell me why it is that with the general reduction in prices of raw material and other things, you have not been able to reduce that price more than one cent?—A. It is due to other expenses increasing in the meantime.

Q. What are those expenses that have increased?—A. I have indicated here quite a significant increase in delivery cost.

Q. Will you give us that, please? You have got the figures?—A. Our increase has gone from 22 per cent of sales up to 30 per cent of sales.

Q. You have not got it in cents per loaf?

Mr. HEAPS: \$23,000 was the cost.

Mr. FACTOR: \$22,000 to \$30,000.

The WITNESS: It has increased. I have \$53,000 as our selling expense for 1923; \$83,000 was our selling expense for 1930.

*By Mr. Young:*

Q. You have not got that reduced to loaves, how much it is per loaf?—A. No, I have not.

Q. Is that the only thing that has gone up?—A. Our delivery expense is the largest increase. We have probably more taxes levied against us.

Q. Your taxes are higher?—A. Taxes of all types are higher.

Q. How about your rent?—A. We have no rent.

*By Mr. Parry:*

Q. What about your advertising?—A. Advertising is included in the delivery cost.

*By Mr. Factor:*

Q. What about the price of flour; has that gone down?—A. The price of flour has been rather stationary for some time.

*By Mr. Young:*

Q. It has gone down considerably since you were selling bread at 11 cents, has it not?—A. Yes. I have not the figures.

Q. Sugar has gone down?—A. Well, sugar is going down, after going up. We hope to see it down on July 1.

Q. It is down to what it used to be when you sold bread at 11 cents, is it not?—A. I would have to get the figures. I could not say.

The CHAIRMAN: No, I don't think it is at the present moment, not with the additional tax.

*By Mr. Factor:*

Q. Let me put it to you rather bluntly, Mr. Dempster: Is not that price of 10 cents for quality breads too high, considering the present condition?—A. In view of the very ordinary statements being brought out by the larger companies, I would say that the 10 cent price is not too high for the service rendered.

*By Mr. Edwards:*

Q. What proportion of the cost of a loaf of bread is raw material?—A. I think I have the figures for our particular place, sir. If I remember rightly, it was around 45 per cent for ingredients, as we call it.

Q. Less than half, anyway?—A. Yes.

Q. Then your opportunity to reduce the price on a loaf of bread, as against the price of material, is rather small, is it not?—A. Yes, due to the extra service cost, not ingredients.

*By Mr. Young:*

Q. Does it not necessarily follow that if you do reduce the price of a loaf of bread from 10 cents, you must take it out of the hides of the men that work for you?—A. Either that or lose in profits.

Q. Or cut your own salary?—A. Yes. It must come out of other charges than ingredients.

Q. You can hardly change your price; if wheat is \$1.50 to-day and it is 90 cents three months from to-day, you can't reduce the price of bread to any great extent?—A. Not proportionately with wheat, no.

Q. If wheat goes up from 90 cents to \$1.50, do you increase your price of bread?—A. According to the price of the bread.

Q. So you increase the price of bread if the price of wheat goes up, and if it goes down you don't lower it?—A. According to the price of wheat, and in proportion to the increased value.

Q. I think we had evidence, Mr. Dempster, that it costs  $2\frac{1}{2}$  cents to deliver a loaf of bread in the city; is that correct, approximately?—A. Are you referring to the retail distribution?

Q. Yes?—A. I think our 1932 cost showed around 3 cents; somewhere around that.

Q. Let us accept  $2\frac{1}{2}$  cents; why should not the person who goes to the grocery store to get their own bread not be entitled to a  $2\frac{1}{2}$  cent reduction?—A. Because of the service to the store, he must pay the sales service to the store; in other words, it costs money to deliver bread to the store, and the grocer naturally wants a turnover profit on the sale there.

Q. Then we will take the cost of the delivery from the bakery to the store and subtract that from the cost of the delivery from the bakery to the door; don't you think he should get the benefit of that?—A. You have to consider the grocer's profit as well.

The CHAIRMAN: The grocer has got to get something for the delivery of it.

*By Mr. Parry:*

Q. He has to pay for his advertising and for his own delivery service?—A. Yes.

The CHAIRMAN: It costs the grocer more to deliver a loaf of bread from the store, than it does to deliver one after another to the door.

*By Mr. Factor:*

Q. Can you suggest any way of reducing the cost of distribution in the baking industry, which seems to be very high?—A. No, sir, there is considerable overlapping; but the public must be served as the public wishes.

*By Mr. Edwards:*

Q. In other words, the piper calls the tune?—A. That is a very intrinsic way of putting it.

*By Mr. Kennedy (Peace River):*

Q. Is it not possible to organize the delivery in the city of Toronto into sections so as to avoid overlapping in deliveries?—A. Not with the approval of the public; it would be an economic saving no doubt, but bread is not like milk, there are various flavours and qualities of bread, and people become very much attached to one baker's product as compared to another; in other words, we as an independent bakery would not have survived to the present day if we had not appealed to some particular palate, you see.

Q. What about the capitalization of the baking industry in Canada, is it too high?—A. I regard it as high.

Q. More plant than is necessary?—A. The capacity of plants is increasing today.

Q. How much?—A. I could only hazard a guess.

Q. What is your guess?—A. It is very difficult to say, there is so much to a baking plant today.

Q. Is the industry paying interest on over-capitalization?—A. The industry is not, but these particular bakers that are unfortunate enough to have it have to bear the loss.

Q. Do you think it is paying interest on a fair capitalization?

The CHAIRMAN: Do you mean, as a whole, Mr. Kennedy?

Mr. KENNEDY (Peace River): I mean, according to capacity of the industry.

The WITNESS: I do not know what you mean by the industry; do you mean the bread industry.

Mr. KENNEDY (Peace River): I was just asking about it in general.

Mr. PARRY: Is anybody making money out of the industry in Toronto?

The CHAIRMAN: Outside of yourself.

The WITNESS: I think the position from the Toronto point of view is very deplorable.

*By Mr. Kennedy (Peace River):*

Q. Are they losing money?—A. There are bakeries that are losing money.

Q. What about the independents?—A. A lot of them have been washed out of the picture, we are proud to say that we have survived and we are still doing business at a small profit.

*By Mr. Heaps:*

Q. How do you account for the fact that your firm is able to produce without a loss when larger firms are losing money?—A. I would suggest that you try Dempster's bread and you will have the answer; three generations in the business, knowing the business, and close management.



*By Mr. Edwards:*

Q. Isn't there something in the fact that a practical man is on the job and watching it all the time, and the other is remote control by financial concerns; has not that got something to do with?—A. The remote control idea is not fundamentally sound, local conditions should be dealt with immediately.

Q. And the man who owns his own business and is on the job, is there to do it?—A. Yes.

*By Mr. Parry:*

Q. It was suggested here yesterday that it would be well for the baking industry if there was a severance between mills and mill-controlled bakeries, from the point of view of the financial support the mill-controlled bakeries have and the drive for volume that comes from their seeking an outlet; it was recommended to the committee, what is your opinion?—A. It is my opinion that in the public interest it would be desirable; like the millenium, we are always hoping for it but we hardly expect it.

Q. I see, you are endorsing that recommendation?—A. I think that the mill-controlled baking business is not sound economically.

*By Mr. Heaps:*

Q. Do you find that prices from the mills with regard to flour as far as you are concerned are fairly competitive?—A. Yes, we deal with the independent mills and we find that their prices are quite competitive.

*By Mr. Kennedy (Winnipeg):*

Q. You have just said that you thought that in the public interest it would be better if the mill-owned bakeries were divorced from mill-operation control?—A. Yes.

Q. Do you mean it would be an advantage to the consumer to have such action taken?—A. Theoretically speaking, only.

Q. Let us be practical, from the practical point of view would it be of any advantage to the consumers to have that divorcement?—A. Not much; but I would say that the price to-day is not high, with these large bakeries taking care of this, due to their over-capitalization probably—but theoretically speaking again, I do not regard it as an advantage to the public to have the bread supply concentrated in a few hands.

The CHAIRMAN: Hear! Hear!

*By Mr. Edwards:*

Q. This question may not be exactly a fair one to ask you, operating as an independent baker, but we have had some evidence here about what is known as bootleg bread, and some of us who live out in the more rural parts of the country have an idea that perhaps stale bread, bread that is taken out of the stores that have had it in for a day or so probably, is taken out into the country and sold at a lower price than the bread produced by the local baker.

The CHAIRMAN: The doctors say that is healthy.

Mr. EDWARDS: I am not saying it is not, but the point is this: that bread that is unsalable at a fixed price of say 10 cents in the city is taken out to the smaller towns and villages and perhaps sold for 8 cents or 7 cents to compete with the local bakers as loss leaders, if you like.

The WITNESS: I would not call that loss leader.

*By Mr. Edwards:*

Q. You do not need to answer that question unless you wish, has that come to your knowledge?—A. No, that is a very scarce occurrence if at all; it has not come to my knowledge in any shape or form. Bread which is sold for purposes such as fox feed or cattle feed is outside of the question.

Q. That is beyond everything; but what I am saying is that bread that is in the store or in the bakery a day or two, and then taken out into the smaller towns and villages and sold for one or two cents a loaf less than the standard price in the city?—A. I think that is not the practice at all, sir.

*By Mr. Kennedy (Winnipeg):*

Q. Would not any bakery concern that followed such a practice really be cutting its own throat?—A. Yes, it would be a very low practice.

*By Mr. Parry:*

Q. You have already said that you would believe that the baking industry should be a localized business?—A. I believe that thoroughly.

The CHAIRMAN: Thank you very much, Mr. Dempster. -

The witness was discharged.

Mr. R. W. WARD, called and sworn.

*By Mr. Parry:*

Q. Mr. Ward, you are Vice-President and General Manager of Canada Bakers Limited?—A. I am, yes.

Q. A chain system of bakeries operating in what provinces?—A. In British Columbia, Alberta and Saskatchewan.

Q. And I believe you are here to make representations to this committee on behalf of certain groups of bakers in the western provinces; will you just indicate whom you represent?—A. The Alberta Master Baker's Association, the Master Baker's Association of the lower mainland of British Columbia.

Q. And this Master Baker's Association of the lower mainland of British Columbia, is it representative of the whole of the baking industry in that part of the province?—A. Vancouver, New Westminster, North Vancouver and the Fraser Valley.

Q. Is it representative of the bakers of that section?—A. In that section, yes.

Q. And they are small independents?—A. Yes, everybody.

Q. So that the views that you are expressing are the results of conferences which were truly representative of the bakers in these particular communities, including the Alberta Bakers Association?—A. Yes.

Q. Will you just give the committee briefly the conditions on which the bakers in the western provinces, and particularly I understand in Vancouver, are suffering at the present time?—A. Now, I think probably the best thing for me to do is to read a letter addressed to the Honourable H. H. Stevens by the Executive of the Master Baker's Association of Vancouver, and signed by their President:

I have been appointed by the Executive of the Master Baker's Association to prepare a survey of conditions which are dominating the Baking Industry in Vancouver. Photographs and newspaper clippings enclosed herewith will graphically illustrate the wide range of the domination of this industry from the small independent store to the large and small chain grocery interests, the department stores, meat markets, pub-

lic markets and others. For your greater facility, the photographs have been numbered from 1 to 5, and the newspaper advertisements from 6 to 10. It will be noted that the price of bread in these exhibits varies from 4 loaves for 15 cents to 3 cents per loaf. In explanation, let me point out that the price of 4 loaves for 15 cents was established as a "Bread and Butter Day Special," by David Spencer Ltd., Vancouver, B.C., and this was responsible for the complete breakdown in the attempt by the bakers to stabilize last fall. Its subsequent use as a leader to effect the sale of other lines has brought about retaliation by competitors throughout Vancouver and New Westminster, until to-day the enormous volume of bread so sold has placed the Industry in a bondage from which it is impossible for it to free itself. It has completely disorganized the Baking Industry, and so renders it impossible to adjust the price of bread in accordance with the advance in cost of flour and other materials, which additional loss has to be borne by the baker. The effect of such unbridled competition has resulted in the sale of bread of poor nutritive content, by many in an effort to survive. The effect in revenue to the Government is manifest: profitless merchandising is but a form of tax circumvention. In this particular case it is so grossly unfair, as with the baker having the one line of merchandise, he finds it impossible to compete with others having many lines upon which to create profits.

David Spencer Ltd. and Woodward's Ltd. each operate their own bakeshops, but in all other cases the bread so "Specialed," is supplied by bakers. To the laymen it might appear incongruous that bakers supply a product that brings about their own downfall; but the explanation is that, as in the case of other lines, the bakers are played one against the other. We have some who could not understand the meaning of ethics, unless through translation into their mother tongue, and there are certain mill-controlled bakeries to whom sales volume is the ultimate, regardless of who is affected by the process.

The Bakers of Vancouver welcome this opportunity of placing their serious situation before your commission. It is their intention to augment the proof herein submitted with properly attested documents, to show the scale of wages and general living conditions that this ruthless competition has brought about.

Reverting to the photographs No's 1 to 5, and the newspaper advertisements No's 6 to 11, the following is a description of each individual unit so numbered:—

#### *Photograph*

No. 1. The Butter Stores, 2412 Granville St., Vancouver, B.C. This is conducted by a small independent grocer specializing in butter. It is directly opposite the Rollin Pin Bake Shop, which is affected by this unwarranted competition. All appeals to the owner have proved useless. The bread is made by a family of Poles who live like cattle.

Mr. PARRY: This is a grocery store with a bakery next door. This indicates, Mr. Chairman, that the bakery and the chain store are actually contiguous, the door of the grocery immediately adjoins the door of the bakery, and on the window immediately facing the door of the bakery and part of the store known as the O.K. store is a sign which offers bread at four loaves for 15 cents. Any one going into the bake shop must see that, and of course could not help being interested in it. It is an extreme example. All right, please proceed.

#### *The WITNESS:*

2. O.K. Store No. 8, 3346 Dunbar St., Vancouver, B.C. Occupying the northern half of the duplex store, next door to a small bakery. This



shows a callous disregard to the rights of the baker. This chain store, along with other business ventures in Vancouver, is controlled by a Jew. The bread is made by a Jewish bakery.

3. Safeway Store No. 36, 563 West Georgia St., Vancouver, B.C. No bread price in this neighbourhood warranted this 4 cent sign displayed on the window. This was met with four loaves for 15 cents by the Hudson's Bay Company department store. My association with the Safeway Stores Ltd., as a mediator in former price wars, convinced me that they are soulless exploiters. This chain operates forty-six stores in Vancouver, and others in New Westminster and points in the Fraser Valley. Bread is supplied to the Vancouver stores by a mill-controlled bakery.

4. Metropolitan Stores Ltd., 641 Columbia St., New Westminster B.C. It is inconceivable that bread should be featured with other articles as shown on the window. This sign reads 4c. bread. I sent you previously an advertisement of the same company from the Vancouver store, bread 3 loaves for 10c. Bread is supplied by Jewish Bakery.

5. Safeway Stores, Ltd., New Westminster branch, 667 Columbia St., New Westminster, B.C. Bread 3 loaves for 10c. Same company as in photograph No. 3. Bread in this case is supplied by the firm that serves all Piggly-Wiggly stores in Vancouver.

#### *Newspaper Advertisements*

6. Ray's Market, 41 West Hastings St., Vancouver, B.C. A meat market controlled by owner of O.K. Stores. The wording in this advertisement, i.e. "Bread 16 oz. loaf 3c. with any purchase of provisions," shows that its direct object is to sell other merchandise. No clearer case than this could be found. Bread supplied by mill-controlled bakery.

The CHAIRMAN: Just a moment, these photographs will be filed as Exhibit No. 115. Now proceed with your statement.

#### *The Witness:*

7. The Hudson's Bay Company, department store, Vancouver, B.C. Bread 3 loaves for 10c., in retaliation to the Safeway Stores 4c. competition on the opposite corner. Bread is supplied by the same company that serves the Piggly-Wiggly chain stores.

8. David Spencer Ltd. Department Store, Vancouver, B.C. When interviewed the manager of this company declared that his firm could make a profit at bread sold at 4 loaves for 15c. as it was made in the store and sold over the counter. It is difficult to understand how they are able to send it to their Fourth Avenue Branch to sell at the same price, or to New Westminster, where it was sold on March 1st, 1934, at 3 loaves for 10c. This company's branch store at Fourth Ave. West, Vancouver, is threatening extermination to many small tradesmen in that community, and it is understood that this company is also about to establish another branch on South Granville St.

9 and 10. These complete the cycle of illustrating bread as a loss leader in the Blackburn Public Market and the Westport Market, Vancouver, B.C. These are the latest links in the evolution of cut-throat merchandising. Scott's operate their own bakery to serve a chain of such markets; it is managed by a Greek.

II. David Spencer Ltd., New Westminster, B.C. Branch, Advertising for sale on March 1. Bread 3 loaves for 10 cents. This bread is made in their Vancouver bakery and is shipped in their own trucks. This is an attempt to answer the advertisement of the Safeways Stores, Ltd. shown on photograph No. 5.

*By Mr. Factor:*

Q. There is a statement there that a store is selling bread at four loaves for 15 cents?—A. Yes.

Q. How do you account for that?—A. That is the David Spencer store. They bake their bread on the top of the store building. We do not know what rent they take into consideration, or anything else.

Q. If they can sell bread at that price and make a profit, what is wrong with that?—A. There is nothing wrong with it, we claim that they cannot make a loaf of bread to sell at four loaves for 15 cents.

*By the Chairman:*

Q. You include a reference to the Hudson Bay Company, they did not start using bread as a loss leader until after the chain stores had started?—A. Presumably, yes.

Q. And the same way with David Spencer, wasn't it?—A. Yes, of course the David Spencer store have been cutting prices more or less for the last two or three years.

The CHAIRMAN: But that was in order to meet the competition of the chain store practice on loss leaders?

*By Mr. Heaps:*

Q. Does the witness know anything about the conditions under which this bread is produced?

The CHAIRMAN: You refer to what?

Mr. HEAPS: Labour conditions, as they apply in the Hudson Bay store, and in the Piggly Wiggly stores.

The CHAIRMAN: The David Spencer store, there is a difference there; you had better ask the witness about the David Spencer store.

The WITNESS: I know nothing about their wages, or hours of work.

*By Mr. Heaps:*

Q. Do you know anything about conditions in the Piggly Wiggly stores?—A. The Piggly Wiggly bread is made by a bakery which is under the direct control of the Piggly Wiggly people.

Q. What kind of wages are they paying?—A. I presume they are probably paying down to the minimum.

Q. What is the minimum?—A. I do not think there is a minimum wage for men in British Columbia, I think the minimum wage in British Columbia is the maximum for women.

*By Mr. Kennedy (Winnipeg):*

Q. Do you know what wage conditions actually are?—A. Deplorable.

Q. You are referring now to Piggly Wiggly?—A. I do not know, I could not make a statement.

*By Mr. Heaps:*

Q. Do you know anything about the wages of the baking industry in general?—A. Yes, I haven't got the details of that with me now because I got the notice to appear here when I was down in Saskatchewan, and before that I did not know I was going to be here. I do know that there are people being employed in the baking industry being paid \$4.50 for a week of 70 hours, and others being paid \$7 a week for a week of 70 hours, and others ranging around \$8, \$9 and \$10.

Q. What are the highest wages being paid?—A. The highest wages being paid are around an average of \$21 to \$22.

Q. Could you give us any idea as to the numbers who are working for the low wages you have just referred to?—A. I would say probably 30 per cent to 40 per cent.

Q. And the other 60 per cent are receiving higher wages?—A. I would say yes; the mill-owned bakeries pay fair wages.

Q. But you do not know anything about the Piggly Wiggly and these others?—A. I think probably, since the legislation was brought down by the Provincial government, Piggly Wiggly Stores are paying a minimum wage.

Q. That would apply to such bakeries?—A. It will. I have a wire here from Vancouver, under date of April 30, which says that a minimum wage is assured. You see, the Provincial Government set up a Board to study wage conditions and hours in British Columbia, and they are going to segregate each company and put a minimum wage into effect in that particular industry, I understand. So that we expect that in British Columbia a minimum wage will be set any day now.

Q. In which case it will be pretty difficult for these firms to take it out of the hides of the employees?—A. Yes, if it is enforced, I think the bakers will be entirely satisfied.

*By Mr. Kennedy (Winnipeg):*

Q. Has there been no minimum wage in force?—A. No, if there has been, they have not enforced it; because I think the department felt it was better to have men working, no matter what wage they got, than to have them on relief; and there have been very few prosecutions in British Columbia out of a Minimum Wage Act for the last two or three years.

Q. But in any event the provisions are there in the Minimum Wage Law? A. I think possibly they are, but they have not been enforcing them.

MR. PARRY: None of the baking business in any event.

*By Mr. Edwards:*

Q. Is this Oriental labour or white labour?—A. It is all white labour.

*By Mr. Kennedy (Winnipeg):*

Q. What did I understand you to say was the prevailing average wage in the baking business?—A. I have not got the detail of that here. I think I can get it for you if you would like to have it.

Q. I understood you to say?—A. About \$21 in the larger bakeries, that is over the whole plant, the drivers and everybody else.

Q. But it does not include the salaries of officials?—A. Oh, no.

*By Mr. Kennedy (Peace River):*

Q. What about hours?—A. The larger bakeries are pretty well forced to a 28-hour week.

Q. But you said that bakeries were hiring people for \$4.50 for a 70-hour week?—A. They are hiring them, we know of cases of that kind.

Q. And you say that the average is \$21 for a week of 48 hours.

*By Mr. Heaps:*

Q. Would you say that this low-wage condition is general?—A. It is quite general, in some place they are working for their board.

MR. PARRY: I am going to read you a rather lengthy letter along the line of Mr. Heaps' question, one which was received by the Clerk of the Committee



under date of March 19, from a baker in Vancouver. It is couched in rather nautical terms, and it reads in part:—

The industry at present is in the most deplorable and almost desperate condition, brought about by the Piracy practised on the Bakery ships of the Merchantmen of Vancouver, B.C., by the three large Department Stores, namely, Woodward's Ltd., Spencers Ltd., and Hudson Bay Ltd., also the Chain Stores Piggly Wiggly Ltd., Safeways Ltd., and all the smaller Chain Stores who are forced to adopt the same tactics, viz: Price cutting of bread to 3 loaves for 10 cents and in other cases 4 loaves for 15 cents, also in some cases as low as 3 cents per loaf, also the price cutting at some time or other of every product of the Bakery, using it as an "Advertising medium" or a "Loss Leader" as it is called; we have no other goods to make a profit on, with which to pay wages or keep afloat. They make their profit on other goods.

The result of this piracy on their part has been the sinking of seven ships with their crews, wives and families took in the Sea of Depression called Bankruptcy. 150 others are being attacked and are nearly overwhelmed by the cutthroat tactics now carried on against our Trade mercilessly. All wage workers in the trade are under Slavery conditions of pay and hours of work, some doing 14 and 16 hours per night or day as the case may be. Nine of the large delivery bakers lost thousands and thousands of dollars each last year, even after cutting wages and increasing the hours of work for every one.

My two daughters, one employed here as bakery assistant, and the other as store clerk, after working here 12 years and 6 years respectively, have been forced by these conditions to work the last eight months without pay; and besides that, have loaned the business over \$300 dollars to help keep it running, and practically every small Bakery is in the same critical condition. The "Bakers Association" has done everything humanely possible to get these people to be fair and just to our trade, and have been laughed at for their trouble and desperate efforts to better conditions.

The Bakery Industry is now helpless, dominated and controlled by Pirates, and we are praying the Government to take quick action, daring action, to save the trade and the workers in it.

Do you indorse this sentiment?—A. I do, absolutely; here is another day.

*By Mr. Young:*

Q. What effect do these low prices have on the price spread in the city?—A. What has happened there is that the larger bakers, the better bakers have fought it with all they have. They have tried to maintain their price.

Q. What is the price?—A. It varies from 3 loaves for 10 cents to 7 cents a loaf.

Q. That is the price delivered?—A. Three loaves for 10 cents, up to 7 cents a loaf for the high grade.

Q. Seven cents delivered at the door?—A. Yes, in a good many cases.

*By Mr. Kennedy (Winnipeg):*

Q. Is there any inspection of the bread product by any municipal or other authorities?—A. Yes and no; the city forced to economize has cut the staff down to one man who is looking after bread and milk, I understand, at the present time; it is a pretty big job.

*By the Chairman:*

Q. That is, sanitary inspection?—A. That is on wages, sanitation and everything else.

Q. Is quality subject to inspection?—A. No, it never was.

Q. Weights only?—A. Weights only.

*By Mr. Heaps:*

Q. What is your suggestion as to remedying this situation?—A. My suggestion is, a fair living wage.

Q. Are you satisfied with the law as already enacted in British Columbia?—A. There is a new Act coming in there, and we understand that the Minister of Labour is going to see that it is put into force; he is going to see that proper wages are paid and proper hours of work observed—he is going to iron out this situation for us.

*By Mr. Parry:*

Q. You heard Mr. Dempster's evidence?—A. Yes.

Q. You heard his conclusion, to the effect that if fair competition were brought about the industry would thrive; do you endorse that sentiment?—A. I do, yes. We talk about bread and loss of production. You know, in the city of Vancouver there is at least a 25 per cent reduction in the quantity of bread that is consumed as compared with 1929. People are eating all of the loaf now. Mr. Stevens will know the district to which I refer, Shaughnessy Heights; I remember there in 1928, 1929 and 1930 that you could see as much as half a loaf of bread thrown away at some of those homes. That is not being done today; nobody throws anything out in Vancouver these days, there is nobody working.

*By Mr. Edwards:*

Q. In other words, they are eating more efficiently?—A. They are not eating so much. Our people in Vancouver, a good portion of them, are living on two meals a day, and all of our young men are away in camps.

Mr. EDWARDS: A lot of Parliamentarians are doing that too.

*By Mr. Young:*

Q. These people are not getting enough bread to eat now, and you want to raise the price. Will they eat any more bread then?—A. We don't want to raise the price.

Q. You don't?—A. No.

Q. You made the statement that it was impossible to adjust the price in accordance with the advance in cost of raw material?—A. I will tell you what would happen; if these other chaps that are working for nothing, working 17 hours a week, were working 48 hours a week and selling half the bread that they are selling at the present time and raised their price up on the level, or near the level with the rest of us, they would have a far better living than they have today. They would have time to enjoy themselves, which they are not doing today. I know of independent small dealers, not independent—we have very few independent dealers out there, but bakers that are not owned by the mills, are controlled by the flour mills through credit.

Q. Who are the people that take advantage of this bargain of 4 loaves for 15 cents?—A. You would be surprised. We have a lot of customers who will pay us 7 cents for a loaf of bread, and will go down town, or send the kids over to the corner store and buy 3 loaves for 10 cents. They will eat the one loaf themselves and let the kids eat the cheap loaf.

Q. That is in the West?—A. That is everywhere. Your Toronto men will tell you the same thing.

*By Mr. Kennedy (Peace River):*

Q. Is it your contention that it is not possible to produce a 3 cent loaf?—A. Absolutely no.

Q. And pay decent wages?—A. No, it can't be done, and nobody can show me that it can, or you either.

Q. There can't be any remedy for the situation by taking the burden off the consumer and throwing it on the producer?—A. I think in the long run the consumer would be better off by paying the full price for his bread.

*By Mr. Young:*

Q. What advance has taken place in the price of the raw material lately?—A. There is no advance lately.

Q. You made the statement that it is impossible to adjust the price in accordance with the advance in the cost of raw material?—A. At the time of that letter—it is dated in March or April; March, was it not—at that time lard was getting very high. We still had that two cents tax on sugar which we get relief on of one cent. Many items were going up. Raisins have gone up. Many things enter into it. You take farm products, they have gone up 38 per cent in that country since last fall.

Q. But you really don't want to increase your price now?—A. No. We want to cut out this everlasting three for ten cents. That is the stuff that is strangling us.

*By Mr. Parry:*

Q. That, you know, is being sold at a loss?—A. At a loss. We know it is sold at a loss.

Q. Creating false ideas in the public mind as to the value of bread?—A. Absolutely. We are pikers. We are not advertising. We can't afford to advertise. We have not had an ad. in the newspaper for two years, can't afford to. Give us the money and we will spend some.

*By Mr. Young:*

Q. That applies to all the bakers in Vancouver, I suppose?—A. Yes, absolutely, every one.

Q. You can produce a loaf and sell it for 7 cents?—A. Yes. Mind you, that is retail. But taking your average price, it would not work out at 7 cents, because our business in British Columbia, 50 per cent of it is taken by wholesale and 44 per cent by retail.

*By the Chairman:*

Q. When you say retail, you mean delivered?—A. Delivered from the wagons.

*By Mr. Young:*

Q. Your loaf is only 16 ounces?—A. 15 and 16 ounces. 15 for the wrapped, and 16 for the unwrapped.

Q. The eastern loaf is 24 ounces?—A. Yes.

*By Mr. Edwards:*

Q. Mr. Ward, we had some evidence introduced by Mr. Burges from Kitcheners to the effect that foreigners of various types had small bakeries in the front room of their houses and were living behind, and so forth?—A. Yes.



Q. In other words, that they were not complying with the sanitary regulations of the municipalities?—A. Yes.

Q. Does that appear, to any great extent, in your territory?—A. Yes, we have many cases of that.

Q. Is there any effort being made to wipe those conditions out?—A. Well, we hope there will be. There has not in the past.

Q. Don't you think that the municipal authorities are very derelict in their duty in that regard?—A. Yes, I do. I believe that. But the trouble is that your cities and your provincial governments have not got the men to carry on that. They have cut their staffs down. It is not being looked after.

Q. Your health board makes regulations, and the medical officer of health is supposed to visit these premises and inspect them, and lay charges if they are not right.

The CHAIRMAN: But he has said, Mr. Edwards, that they have only got one inspector in the city of Vancouver, with 238,000 people, to look after both milk and bread.

The WITNESS: Exactly.

The CHAIRMAN: Obviously he can't do it. That is the answer to that.

Mr. EDWARDS: Certainly, it is a condition that this committee could not handle.

The WITNESS: It might be a good idea. Honestly, I am hopeful.

*By the Chairman:*

Q. Have you anything further?—A. Yes, I have Alberta.

Q. Will you proceed?—A. I have a bunch of ads. here from Edmonton.

*By Mr. Parry:*

Q. Those are of a similar character, are they?—A. Yes.

Q. Just showing price cutting and loss leaders?—A. Yes.

Q. Just file those?—A. All right. I don't want to take any more of your time than I can help.

(Advertisements filed and marked Exhibit No. 115.)

The WITNESS: This was also presented by Mr. McKay of the Retail Merchants Association of Alberta. I don't think this necessary.

Mr. PARRY: No, it was filed. It is here.

The WITNESS: Here is bill No. 65, an act for the establishment of a Department of Trade and Industry, and to describe its powers and duties. Do you want that?

The CHAIRMAN: You can hand it in, but it is already filed.

*By Mr. Kennedy (Peace River):*

Q. Do you think that would help you?—A. Yes.

Q. Do you work under it?—A. We are working under it. We have our choice in Alberta. We can come under the Utilities Act or come under this.

Q. Just in what way do you mean that?—A. Well, the Utilities Act in Alberta was amended this year to bring the bakers under the same act as what the milk men are under.

Q. Do you think there will be any increase in the price of bread caused by cutting out loss leaders?—A. It is not necessary to increase the price of bread if we get away from this stuff. I don't see it.

*By the Chairman:*

Q. The loss leader seems to be your chief difficulty?—A. That is our trouble, not only with the bread business, but everything else.

Mr. PARRY: Mr. Ward is filing a code of ethics set up by the bakers of Vancouver. That will be Exhibit No. 117.

The WITNESS: Yes.

(Code of ethics filed, and marked Exhibit No. 117).

The WITNESS: Here is a memo on that code. It might be attached to it. That is all I have, unless someone wants to ask questions.

*By Mr. Kennedy (Peace River):*

Q. You are vice president and general manager of Canadian Bakeries?—

A. Yes.

Q. You have bakeries in Moose Jaw, North Battleford, Prince Albert and so on?—A. Yes, we have, in Moose Jaw, Regina, Saskatoon, Prince and North Battleford.

Q. Are they making money at any of those places?—A. No.

Q. Are they able to pay interest on capital?—A. No. We ship money in there to keep those places going.

*By Mr. Young:*

Q. Where are you getting the money, out of this 7 cent bread in Vancouver?—A. Yes, and Alberta. We manage month by month, to pay our bond interest, that is all.

*By Mr. Kennedy (Peace River):*

Q. How are salaries?—A. You mean wages in that district?

Q. Salaries, how do they run?—A. Our managers?

Q. Yes?—A. They run around about \$45 and \$50 a week in some cases; probably a smaller plant, \$35. We are back of those communities. We own property there. Our manager lives there; pay just the same as they do in other bakeries. We went in and bought out inside bakeries and carried on.

Q. A lot of these mills have taken over bakeries; they were taken over by the milling companies?—A. In 1925. We were the first in the west.

Q. Was there any big increase; did they build new bakeries?—A. We built two bakeries, in Edmonton and Saskatoon, but the buildings we bought in 1925 are still in existence and the same machinery is in there.

Q. Is the trouble due in any way to over-capitalization?—A. No, I don't think so. I think it is just less consumption of bread.

Q. How were things running up till 1929?—A. Good. We made good before that.

*By Mr. Young:*

Q. What is the point in having all these bakeries; can you manage them better, having them strung all across the continent?—A. I think so; I think it is sound.

*By Mr. Edwards:*

Q. Do you really think that?—A. Yes.

Q. That by long distance control you can manage a bakery better?—A. A great deal depends on the men you have running these plants. We try to be part of the community where we are. We have good men.

Q. No matter how good a man is, unless he is financially interested in the business, you would not suggest that the man you would hire would be as efficient and careful in looking after things, as the man who is losing his own dollars?—A. Possibly not. But I would be interested, and it is my intention—and my managers know it—if we ever get to the point whereby we can at least pay our way, we will pay them commission for running it, and make them a part, so to speak. I think that is the only system.

Q. I just challenge that thought, that a string of bakeries, or a string of anything else, with managers handled from long distance by financial experts, so called, are nearly as efficient or perform the duties they are supposed to perform nearly as well as the man who is on the job and knows the business and is handling his own dollars?—A. I might tell you this, that our business is not handled from Toronto or Montreal. It is handled right from our centre in Calgary.

Q. But it is absentee control?—A. Well, it is. We have two directors of the Maple Leaf Milling Company on the board. The rest of the directors are Vancouver and Calgary men.

Q. The evidence that has been given here, so far as I can see, has been to the effect that the baking industry is primarily and essentially a local industry?—A. Well, that is a matter of opinion, entirely.

*By Mr. Parry:*

Q. Your financial statement will reveal the whole thing?—A. Yes. You have it on file.

Q. It reveals what you pay on your capital investment in your particular industry, and how you utilize the capital?—A. Yes.

Q. It speaks for itself?—A. Yes.

*By Mr. Kennedy (Peace River):*

Q. Was the loss leader in existence to any extent up until 1929?—A. No, it was not. The loss leader really came in in 1929 and 1930 and got worse as it went along.

Q. We have been hearing evidence here with regard to the miller-baker relations?—A. Yes.

Q. Can you tell us any advantage arising from that connection?—A. It all depends on the position you are in. If you have to buy your flour, take your flour from the mill that owns you and pay the price they set for you, I say it is a disadvantage.

Q. Is it a competitive price?—A. I have bought on a competitive price, and I have not always stuck with my own company.

*By Mr. Parry:*

Q. Since when?—A. That was first in 1931, or something like that. I thought the price was high, and I went out and got a fair price and bought from other mills. I would do the same thing to-morrow morning, if the occasion arose.

*By Mr. Kennedy (Peace River):*

Q. Did you get a lower price?—A. Yes, I did, at that time, but they have been competitive since.

*By Mr. Young:*

Q. It was not a loss leader you bought, was it?—A. No.

Mr. EDWARDS: What was that question, Mr. Parry?

Mr. PARRY: I simply suggested that the financial report of the company would show the amount of capital going in and whether it was an economic venture or not, regardless of anything the witness may say as to the advantages of it.

Mr. EDWARDS: You are not saying that seriously? I would disagree with that.



*By Mr. Young:*

Q. You say you are losing money on all these bakeries on the prairies?—A. Yes.

Q. And making it up in Vancouver?—A. No, not making it up in Vancouver. Losing money in Vancouver, when we take depreciation and everything into consideration.

Q. You said you were sending money in?—A. Yes, we are chiselling it out of our depreciation.

Q. You have no loss leaders to contend with on the prairies?—A. That is where they are real bad, in Regina.

Q. What happens there?—A. Regina has gone through more of that stuff than anybody else in the country.

Q. Who is using bread as a loss leader now?—A. Everybody. We got it fixed up a little while ago, but it was down to giving it away for a while.

*By Mr. Kennedy (Peace River):*

Q. What advantages are there in this connection between mill and bakery?—A. I don't know that there is a great deal. There is no real advantage to the thing. I would be happier to run my own place.

*By Mr. Parry:*

Q. You would not object to them giving it back?—A. I would not object to them giving it back to me, what I had before I went into it.

Q. And you would make some money?—A. Sure I would. I think so.

*By Mr. Kennedy (Peace River):*

Q. You are not as well off as when you went into it?—A. No, I have been bad for three years.

Q. When did you go in?—A. I went in in 1925. I sold out in Calgary. I sold out in 1925 and have been associated with the company ever since.

*By Mr. Parry:*

Q. We might almost get from you that you were more of an economic unit in the proper distribution system before than subsequent?—A. Yes.

*By Mr. Kennedy (Peace River):*

Q. Have you any idea how the milling companies regard the situation to-day, if they would be glad to get rid of it?—A. I don't know. I don't think they would be glad to get rid of it. It is a big source of outlet for the flour.

*By Mr. Senn:*

Q. Can you say whether all the larger milling companies are engaged in that?—A. In the West they are. Because you take Ellisons, with four mills at Lethbridge, they are a big concern. That is a big local concern. You probably know that, Mr. Young, they control through debt, probably three of the largest independent bakeries in Vancouver.

Q. Lake of the Woods?—A. The Lake of the Woods Company was a chain through the West, Ogilvie.

*By Mr. Edwards:*

Q. Did that condition of affairs obtain very long ago? When did the chain store business start in the West?—A. I don't know from memory. I would say 1928 or 1929.

Q. Four or five years ago?—A. Yes.

Q. In other words, if they had had a good export market for their flour, they would not have been so anxious to establish chain stores?—A. No, I suppose not. You can never tell about that.

The CHAIRMAN: Gentlemen, we have one more witness. I had hoped to get through this morning, but we will have to come back this afternoon. We will meet at four o'clock.

The committee adjourned at 12.45 to meet at 4 p.m.

### AFTERNOON SITTING

The committee resumed at 4 o'clock p.m.

The CHAIRMAN: Order, gentlemen. We will now call Mr. Bredin.

Mr. MARK BREDIN, called and sworn.

*By Mr. Parry:*

Q. You personally carry on the business of manufacturing and selling bread and bread products in the city of Toronto?—A. Yes, sir.

Q. Under the firm name of?—A. Bredin's Bread Limited.

Q. You are here representing the Canadian Bakers' Association?—A. That is it.

Q. And are you also representing the Toronto Retail Cake Bakers' Association?—A. I am, I can safely say that; that might be subject to contradiction, but I have got their documents here, which were handed to me.

Q. But you are authorized to make representations on their behalf?—A. Quite so.

Q. Would you just briefly amplify to the committee the businesses that are represented by your association, the Canadian Baker; how comprehensive is it?—A. Oh, they cover from Halifax to Vancouver.

Q. Go on from there, you are making representations on their behalf?—A. I had better start at the beginning. We had an organization that lived for about thirty years, and some of the bakers felt that there was no way of getting around this thing without disbanding that organization practically and starting a new one; this had its first meeting on the 21st March of this year which was well attended, and I was the unanimous choice of that convention for the office of president, although not desiring and not wanting it, and would have been well satisfied if I had been left out. That is an office I have held since around 1909, about twenty-five years ago, and I don't mind telling you that there's a lot of work in it.

Q. Just go on with the detail of your organization.

The CHAIRMAN: Just tell us precisely what constitutes this comprehensive organization to which you have made reference.

The WITNESS: We have forty-five members registered.

*By Mr. Factor:*

Q. Are they independent bakers?—A. Both.

*By the Chairman:*

Q. Have you a list of your membership?—A. I am sorry but I have not.

Q. Run off some?—A. Our secretary was away.

Q. Are the bigger bakers in it?—A. Yes, there is Harrison of Montreal, Burgess who appeared before you yesterday of Kitchener, Mr. Deitrich of Kitchener, Zurbidg of Stratford and Seaforth—they are brothers.

*By Mr. Factor:*

Q. Are Canada Bread in your organization?—A. They are in, and Morrison of Ottawa. It is very general.

Q. And Harrison Brothers of Montreal?—A. Mr. Harrison of Montreal, yes.

*By the Chairman:*

Q. Just what sort of an organization is this, does it include the large bakers like Canada Bread for instance?—A. Yes, sir.

Q. All of them?—A. All of them.

*By Mr. Parry:*

Q. And you claim also to represent the small independent?—A. Each member only counts one, we don't count the plants at all.

Q. And you claim to represent the small independent baker whose conditions are being heard about here?—A. I would be practically safe in saying that it includes almost everybody from coast to coast.

Q. What per cent of the volume in Canada would it represent?—A. 80 per cent.

Q. Your estimate is that it would represent 80 per cent of the bread producers in Canada?—A. Yes.

*By the Chairman:*

Q. Of capacity or number of plants?—A. In volume, 80 per cent in volume, and possibly 50 per cent in numbers.

*By Mr. Parry:*

Q. And you have seriously considered the difficulties of the industry, and are here to make representations to the Committee on behalf of the baking business?—A. Yes.

Q. Will you just proceed, Mr. Bredin?—A. In the first place, I want to express the appreciation of the trade to our Chairman of today, and his committee here; and to say that we are to a large extent looking for relief that is very much needed by the trade in the whole Dominion of Canada, and we are looking to you, Mr. Chairman, as a life saver. You have heard enough about it without me saying very much—the shape they are in, many of them. From the look of the gentlemen who are sitting around here and who are associated with the trade, I am afraid you might get a rather mistaken impression of conditions as they exist—many of them do not look much like the forgotten man, that is what many of our members are, not making enough out of it to keep body and soul together, or to pay them any wages.

The question has been asked this morning several times about arranging the price of bread; this has to be done, if done at all, by local industry. During all the 30 years that we met in our association, price was never once discussed; but at local meetings of the industry it is discussed and that is where it should be settled; and if there is to be any understanding along that line, and we are looking forward to it, we hope for it, it would have to be done by zones and districts with some one person placed in authority. I am also associated with many who have been here before, and I agree with them that baking is a localized industry which must be handled in small units, with each constituency catering to their own particular people. For instance, the bread that we call a good loaf in the city of Toronto will not suit the people in Winnipeg; and the bread they will like in Winnipeg will not suit them in Vancouver; neither would the bread popular in Montreal suit the people of Quebec, or the Quebec bread would not suit the people in one of the other provinces. These are conditions that exist and always have existed. We started out with the



idea of organization, and one of the big things in our mind was—I do not know what you term this, whether it is a regulation or a code, or what it is, but it is no matter what the name is—but we thought we could get the organization running and we could at least get a start on doing some things which we agreed on. Of course, if we had had everybody with us, we would not have had to come here at all, but we are now in the position that we have to come here.

This voluminous looking book here—I am afraid there was a bit of extravagance in that, but a young man was sent out to get a book, and he brought in this thing; I don't know who he was, but anyway I am not finding fault with anybody particularly—but there is a lot of things in here that will interest you.

Page 33: in the city of Winnipeg, special stores, Friday and Saturday, April 20th and 21st, 1934, bread was sold at three loaves for ten cents; and the regular price of bread in Winnipeg was 6 cents a loaf; bread is advertised at 3 loaves for 10 cents—unwrapped bread, I mean.

Page 36: effective Wednesday afternoon and Thursday, November 23 and 24 of last year; bread 16 ounces, unwrapped, 2 loaves for 5 cents.

*By Mr. Edwards:*

Q. Where is that?—A. In the city of Winnipeg, the Safeway Stores.

*By Mr. Young:*

Q. Was that the one day only, or continuous?—A. They don't say for one day, I imagine it would be continuous.

Page 37: Piggly-Wiggly, effective Wednesday afternoon and Thursday, bread 2 loaves for 5 cents—free with any other purchase.

*By Mr. Factor:*

Q. All these are loss leaders?—A. Yes.

Page 37A: Safeway Stores again; prices effective Friday afternoon and Saturday, April 21 and 22, 1923; bread 3 loaves for 9 cents.

Page 40: This will give you a better picture, this appeared in the *Toronto Evening Telegram*; the Stop and Shop Stores, in this page here—bread 8 cents a loaf.

*By Mr. Parry:*

Q. Just give us the date of that so that it will go on the record?—A. That is from the *Evening Telegram*, Toronto, Thursday, September 18, 1930. That goes back to when the thing started.

Page 41: The next one—you can all see it—bread 7 cents; that is where our trouble starts.

*By Mr. Young:*

Q. That is the pound and a half loaf?—A. Yes. The *Globe Shopping News*, Toronto, Thursday, November 13, 1930—bread 7 cents.

Page 42: The A. & P.—The *Toronto Daily Star* of Thursday, February 12, 1931; bread, 5 cents—large enough for anyone to see.

*By Mr. Factor:*

Q. That has been pretty well illuminated?—A. Yes.

Page 43: The A. & P. again—bread now 6 cents, the popular 7-cent loaf favoured in thousands of homes now 6 cents—this is a new low regular price—this is the third regular price reduction on bread that A. & P. has introduced. First the price was reduced from 3 loaves for 25 cents to 8 cents each. Then it was reduced from 8 cents to 7 cents. Now it is lowered from 7 cents to 6 cents.

*By Mr. Edwards:*

Q. You did not give us the date of that?—A. The *Toronto Daily Star*, of Thursday, February 12, 1931.

Page 44: The *Toronto Daily Star* of March 6, 1931—a large square loaf of bread at 4 cents—a temporary price reduction—full 24-ounce loaf, machine wrapped; this is not a cheap loaf baked to sell at this low price—but our usual 24-ounce wrapped loaf which we sell at a regular price of 6 cents. We reserve the right to limit quantities—and will be sold only to those making other purchases.

Page 45: Superior Stores, Thursday, March 15, 1934—bread 5 cents.

*By Mr. Heaps:*

Q. Who are the Superior Stores?—A. They are an amalgamation that buys together, a number of independents who buy together and advertise together, and that kind of thing; but they are not owned by a chain.

Q. They are individual retail stores?—A. Yes, grouped together for their own advantage. This is in St. Thomas.

Page 46: This is St. Thomas, the week ending March 17, 1934 (that is a famous day), bread, 2 for 11 cents.

Page 47: 500 loaves daily, wrapped bread with order, 5 cents per loaf; bread alone, 6 cents per loaf—that is from London, I do not see where the date is, but it says, "Our third anniversary sale is now on."

On the same page, Greenaway's—fresh bread full weight, 6 cents per loaf. Also on the same day—five loaves, 25 cents, the Daily Bread Company Limited, 685 Dundas Street, London. It does not give the date.

Page 48: Free, one-half dozen of Dr. Jackson's Roman Meal doughnuts with a purchase of any one of the big specials listed below—that is in the cake.

Same page: bread, 5 cents, B. J. Harrison—I do not know where Harrison is.

Page 49: Extra week-end specials for Friday and Saturday—wrapped two loaves of bread, 9 cents—Pape Avenue—cut-rate meat market.

Q. You have no date there, if you will pardon me?—A. No, there is no date to that, it is just a handbill sent out.

Page 50: Try our fine wrapped bread, fresh daily, 5 cents—this is also a circular sent out from 1348 St. Clair Avenue West; Tractors Grocery Store.

Q. Not Factors?—A. No, in this case it is Tractors.

Page 53: Here is a clipping:—

"Hamilton, April 19 (Special)—Formerly proprietor of one of Hamilton's oldest businesses, John Aussem, 65, admitted to-day in court that he was unable to pay 2 girl employees \$41 claimed as wages. Judgment was reserved for a week.

John and Albert Aussem were proprietors of the Aussem baking business, established by their father 75 years ago. A few years ago \$48,000 was offered for the property alone. The city recently took the property for taxes.

Employees on a salary of \$12 a week cannot afford to be generous, but I will give you a week to raise the money, the magistrate said."

Fisher's Bakery; free—1 loaf of bread; that is from Guelph.

Q. What date was that, Mr. Bredin?—A. There is no date on that, nor on the other item here also from Fishers, which takes the form of a strip of coupons—free, six loaves of bread. This certificate is good for one free loaf of bread.

Page 55: Free, one loaf of bread; this certificate good for one loaf of bread absolutely free, Berry's Bread, 355 Barton Street East, Hamilton—there is no date on that.

Free, one loaf of bread; Berry's again.

Free, 1 loaf bread; Berry's again, giving these tickets away.

Then there are these photographs of windows showing prices ranging around 5 cents and 6 cents a loaf.

*By Mr. Heaps:*

Q. Do you know how that cheap bread is made?—A. No, I do not.

Q. Do you know under what conditions it is made?—A. No, I do not know that either.

I have one letter I think which might be interesting here; this is about a Chain Store manager who made this statement to three men who have made their affidavit as to the statement. I will read the affidavit:—

Canada,	}	In the matter of
Province of Manitoba		
To Wit:		

We, Messrs. R. H. Bryce, F. J. Hannibal, A. E. Longstaffe, of the City of Winnipeg, in the Province of Manitoba, make oath and say:—

That on or about February 8th, 1934, we had an interview with Mr. L. D. Squair, Dist. Manager of the Safeway's Stores Ltd., Winnipeg, Man. During the course of our discussion regarding local bread price we were informed by Mr. Squair that, as he did not permit independent grocery stores to sell merchandise at their prices, therefore he would not allow them to sell bread at the same price as their stores.

This is signed by these three men, R. H. Bryce, F. J. Hannibal, and A. E. Longstaffe, under date of April 26, 1934.

*By Mr. Parry:*

Q. Is that an affidavit?—A. That is an affidavit by these three men.

Q. You are filing the book containing those advertisements which you have referred to in your evidence as an exhibit?—A. Yes.

(Book of advertisements filed, Exhibit 118.)

The WITNESS: Now, in reply to Mr. Factor who asked when some of these bakeries started: the Canada Bread Company started business on June 30, 1911. They were taken over by the Maple Leaf Milling Company in 1919. There was no purchase of anything, only the stock of the company; it was just taken over, there was no addition to the stock, they just purchased control through the common stock.

Mr. Young yesterday I think was misled a little, not intentionally at all, by Mr. Harrison, as to the 4 cent value of the raw materials in a loaf of bread. I have taken the government report, so that ought to be good enough for anybody, all right. The government report showed the value of a loaf of bread at 5·42, from 5·12 to 5·42.

*By Mr. Young:*

Q. What date is that?—A. This book would be 1931; that is not the low price of flour of to-day.

*By Mr. Parry:*

Q. It is 1929, I think?—A. Yes, it is taken from a report dated 1929, but appears in the registrar's report of 1931. Bearing out the statement of Mr. Scovil made earlier to-day, 11·41 was the cost of delivering a pound and a half loaf in the Maritime Provinces; the cost was 10·05 in Quebec, 9·76 in Ontario, 9·61 in Saskatchewan, 10·74 in Alberta, and again bearing out Mr. Ward, 11·40 in British Columbia, that the goods cost more at the far ends.



*By Mr. Kennedy (Winnipeg):*

Q. Will you give us the cost for Manitoba?—A. Manitoba being a different weight of loaf, it is rather hard to calculate the cost. It is given here at 5.82, but I have not worked it out on a pound and a half loaf; I did not think you would want it, or I would have done so.

*By Mr. Young:*

Q. You have not got those figures up to date?—A. No, I have not. I would be pleased to have them. I have some figures here. We were called in a hurry, I might say. We got notice in a hurry. The first duty of a soldier is obedience, so we came and we brought our figures with us and we got out some here in Ottawa. We have them both for the mill-controlled and for some few independents that we have with us. In the first place, these bakeries you have here employ 4,160 men. Of this number, 3,485 are employed by the mill-controlled bakeries and 675 by the independents, right here. The wages per barrel for 1929, \$8.16—

Q. Wages per barrel?—A. Per barrel of flour. That is for the delivered loaf, wages per barrel.

Q. \$8.16?—A. That is bakery No. 1. 1930, \$9.17; 1931, \$9.30; 1932, \$8.78; and 1933, \$7.64.

*By Mr. Factor:*

Q. What do you mean by wages per barrel?—A. The bakers' wages are put in that, delivery charges—the man on the wagon, the truck that goes out—and the office. All three sets of wages are in there.

*By Mr. Kennedy (Winnipeg):*

Q. That is, baking and distribution?—A. Yes.

*By the Chairman:*

Q. Why do you use the term "barrel"?—A. Most of the book-keeping is done in barrels of flour.

Q. That is the basis of your calculations in bakeries?—A. Yes, that is the basis of our calculations. That is taken from our statement.

*By Mr. Factor:*

Q. You mean the figure \$7.64 in 1933, represents those three items of wages?  
A. Yes.

*By Mr. Heaps:*

Q. Can you tell us what a barrel of flour contains?—A. 196 pounds of flour.

Q. What is the value of the finished commodity?

Mr. EDWARDS: 196 loaves, is it not?

The WITNESS: I have not got that here, but I could give a guess at it.

*By Mr. Heaps:*

Q. You might give us an answer?—A. It runs from \$16 to \$18, retail value. This also gives the value of the loaf, farther down. No. 2 firm, wages per barrel amount to \$6.19 in 1929; \$6.76 in 1930; \$6.95 in 1931; \$6.71 in 1932; and \$6.37 in 1933. For No. 3 the wages per barrel amount to \$8.89 in 1929; \$8.39 in 1930; \$8.14 in 1931; \$6.75 in 1932; and \$6.37 in 1933. You can see what is happening there, gentlemen, wages coming down in order to try and balance the budget. The man getting wages is the man that has to suffer.

*By Mr. Parry:*

Q. You have referred to Nos. 1, 2, and 3; you mean individual firms that have furnished you with the information?—A. No, those are controlled bakeries. I have the spread shown for the independents.

Q. Nos. 1, 2, and 3 are separate firms?—A. Yes.

Q. There is quite a disparity in costs there?—A. Yes.

*By Mr. Heaps:*

Q. Those are the large firms that you are speaking of now?—A. The large firms.

*By Mr. Kennedy (Winnipeg):*

Q. Mill-owned bakeries?—A. Mill-controlled bakeries, three of them. The fourth one comes in here, and he just gives us three years. For 1931, \$6.18 per barrel; 1932, \$5.74; and 1933, \$5.44. That is the lowest yet.

*By Mr. Heaps:*

Q. Those firms that went as high as \$8 per barrel didn't sell their loaves at 2½ and 3 cents each?—A. They could not do that very well, I do not think. A very interesting part is the number of barrels of flour used.

Q. What year? Will you give us the year?—A. I am going to do that, yes. The number of barrels of flour used by No. 1 in 1929 was 285,714; in 1930, 254,758; in 1931, 237,719; in 1932, 223,152; in 1933, 218,595. You can see what is happening there.

*By the Chairman:*

Q. That is barrels of flour?—A. Yes.

Q. Used in that particular bakery?—A. In a year, by that particular one.

Q. By that particular company?—A. Yes.

*By Mr. Young:*

Q. Where did this bread go?—A. Well, I would say a part of it went to the chain stores, and a part of it went to the Cheap John bakeries you have heard something about, and part of it went to relief.

Q. Do the chain stores not get bread from some of these bakeries?—A. Yes.

Q. What one bakery loses, another one gains, is that right?—A. Yes, that is right. For No. 2, the number of barrels of flour used in 1929 was 312,352; 1930, 313,446; 1931, 271,760; 1932, 239,748; 1933, 230,028. So you see, No. 1 dropped from 285,000 to 218,000, and No. 2 dropped from 312,000 to 230,000 in five years.

*By Mr. Factor:*

Q. Reduction in the price of bread didn't help to increase the consumption of bread?—A. No. For No. 3, the number of barrels of flour used in 1929 was 127,936; 1930, 125,866; 1931, 121,761; 1932, 136,158; 1933, 129,660. Evidently that particular firm has got some of the business, because they increase—although not much—from 127,000 to 129,000 in five years.

The third firm gives us three years: 1931, 147,595; 1932, 150,831; 1933, 151,223. That is another firm that has got some addition.

The number of employees employed by No. 1 firm in 1929 was 1,759; in 1930, 1,797; in 1931, 1,794; in 1932, 1,794; in 1933, 1,548. There is a drop there.

For No. 2 the number of employees in 1929 was 1,504; in 1930, 1,527; in 1931, 1,421; in 1932, 1,257; in 1933, 1,279. That is a drop from 1,504 to 1,279.

*By Mr. Kennedy (Winnipeg):*

Q. Is any of that drop attributable to increased mechanization?—A. No, sir. I was going to refer to that point, but it has not happened in this time.

For No. 3, the number of employees in 1929 was 757; in 1930, 735; in 1931, 702; in 1932, 700; in 1933, 658. The fourth firm only gives the number for one year, and that is last year, 1933, 801.

The average cost per pound and one-half loaf in 1933 for No. 1 firm was 8·12; No. 2 firm, 7·85; No. 3 firm, 7·53; and No. 4 firm, 7·41. So you see that they are some fraction between 7 and 8 cents, which is pretty close to the cost, all right.

The revenue received for that was as follows: For No. 1 firm, 8·12 was the cost and 8·22 was the receipt; for No. 2 firm, 7·85 was the cost and 7·33 was the receipt; for No. 3 firm, 7·53 was the cost, 7·68 the receipt; for No. 4 firm, 7·41 was the cost and 7·29 the receipt.

*By Mr. Young:*

Q. Were those breads of the same quality?—A. Yes.

Q. That is to say, one firm makes a loaf that costs 8·12, and the other firm makes identically the same loaf for 7·41?—A. There might be some little difference I could not tell. For instance, one might use more patent flour than another.

*By Mr. Heaps:*

Q. Does that include delivery?—A. There might be a more expensive delivery, one might cover a wider territory than the other.

*By Mr. Factor:*

Q. Two of these firms apparently have been losing money?—A. Yes.

Q. And still are carrying on business?—A. Yes. I think the statements to the public have admitted that and shown it.

*By Mr. Parry:*

Q. I don't quite understand. Are you dealing there with just the quality loaf, or what we refer to as a second quality loaf combined with the quality loaf?—A. Yes.

Q. The average cost?—A. Yes, it takes the two together.

*By the Chairman:*

Q. How about all the folderols that these big bakeries sell—cakes, pies and doughnuts and all that sort of stuff that they take around to the houses? Is that included in your figures?—A. No, that is strictly bread.

Q. Strictly bread?—A. Yes.

*By Mr. Factor:*

Q. Is not the other the profitable end of the business?—A. At one time it was, but not to-day. There is just about the same amount of money in cakes as there is in bread. There might be a little more, but it would be just fractional.

The cost of ingredients, flour, for No. 1 firm, is 1·70; for No. 2, 2·13; for No. 3, 1·94; and for No. 4, 1·76. You see the great variation in costs there. One man may have bought at the wrong time, hit the market wrong and it goes on inventory; another man may have got into the market just at the right time.

*By the Chairman:*

Q. What is that 1·70 or whatever it is—per what?—A. 1·70 per loaf.

Q. Per loaf?—A. Yes.

Mr. FACTOR: That is the cost of the flour.



*By Mr. Young:*

Q. Is it the practice of the bakeries to buy quantities of flour and other supplies, keep them on hand until they are done, and buy another quantity? Or do they watch the market from day to day?—A. Usually in the flour business we buy two or three times in the year. Sometimes if the condition is favourable, we buy once in the year, about October, when the crop is coming in, in the West. It has been for many years thought to be the best time. That has been upset in recent years, but for many years it was thought that that was the best time of the year to buy it, and we took that chance on it and it usually came out right.

*By the Chairman:*

Q. You contract ahead?—A. Contract ahead, and just take it and pay for it as it comes in.

*By Mr. Kennedy (Winnipeg):*

Q. Just a point there, Mr. Bredin. We had evidence this morning, if my recollection is correct, that the raw materials in a loaf constitute about 45 per cent of the cost. Would that evidence be borne out by these figures you have given?—A. I think so.

Q. Those figures you have given us are in connection with flour?—A. I have other ingredients here.

*By the Chairman:*

Q. You are going to give them?—A. Yes.

*By Mr. Factor:*

Q. What is the system of buying flour used by the mill owned bakeries; do they buy by special arrangement?—A. In some cases, the general manager of the bakery buys flour when he thinks it is the proper time to buy it; in other cases, when the mill thinks it is the right time to put down the order for the flour.

Q. What I mean is, do these mill owned bakeries get any special consideration from their mills in the purchase of the flour, even if it is only a bookkeeping entry? Do they get a special price?—A. Well, having a little experience in that line, being head of the Canada Bread Company for some eighteen years, I always thought I did well if I got them down as low as other people could buy it for, and I generally saw that I did that. I did buy as low as any person almost any time. I think that still holds good with the general managers, that they have that principle.

*By Mr. Heaps:*

Q. Is it possible they charge less to the independent bakeries than they do to their own bakeries?—A. There are instances of that. I would not say it is the general practice, but there are instances of that. In the one case they have to buy off them and in the other case there is competition.

Q. And because they have to buy from them, they might take advantage of that fact?—A. Yes, take a little advantage. We are all liable to do it.

The cost of other ingredients for No. 1 firm was 1.25; No. 2 firm, .86; No. 3 firm, .84; and No. 4 firm, 1.18. I could not explain that difference there between .86 and 1.25. It is a wide margin. I don't know why that is. That would have to be explained from the inside.

Baking cost—that means cost of baking, manufacturing cost, and what we term delivering it into the bread room before it is shipped—for No. 1 firm, was 1.73; for No. 2 firm, .93; for No. 3 firm, .85; and for No. 4 firm, .92.

*By the Chairman:*

Q. With regard to the first and second number, one is double the other. The others are very close?—A. All the others are not far apart—.93, .85 and .92. That is pretty close.

Selling: No. 1 is 2.77; No. 2, 2.28; No. 3, 2.70—they are getting closer. The selling cost of No. 4 was 2.07, the lowest.

Overhead—that means office and that kind of thing.

*By Mr. Parry:*

Q. I notice in 1929 the average of the mill controlled delivery and sales costs was 1.86, and in this 2.77 is the high figure you gave, in cents per loaf?—A. Yes.

Q. That is where the increase has come in, as was pointed out this morning?—A. Yes.

*By Mr. Heaps:*

Q. Why has there been that increase, Mr. Bredin?—A. What was that item again, Mr. Parry?

Mr. PARRY: Delivery in sales, distribution.

The WITNESS: Sales have been climbing, in spite of everything that any of us could do.

*By the Chairman:*

Q. Sales costs, you mean?—A. Yes, sales costs.

*By Mr. Young:*

Q. Have you raised wages, or are your horses more expensive, or what is it?—A. Wages did go up for a time, but they are not up now.

Q. What keeps your sales costs up?

Mr. FACTOR: Trying to sell.

The WITNESS: People are demanding more in the way of service all the time.

*By Mr. Young:*

Q. What additional service are you giving now? You were taking the loaf of bread to the door and getting your money for it. What do you do in addition to that now?

The CHAIRMAN: Slice the bread.

The WITNESS: There was a time when the men went out with nothing but bread on the wagon to deliver; they were delivery men then. Now they are going out with bread and cake that has to be sold. Instead of making a delivery that will take two minutes, a young man will spend ten minutes trying to sell a lady a few cakes.

Q. You should charge that to the cakes, and not to the bread, should you not?—A. That is correct. I accept that statement, and we are correcting it as time goes on. When we first went into cakes, we didn't do that; but to-day it is pretty generally being done, placing a lot of charges against the cakes.

*By Mr. Heaps:*

Q. This morning we had an independent baker who said it was the company controlled bakeries who were forcing up the costs of the sales?—A. Well, I listened to Mr. Dempster, and I think that his evidence was very good. I would not dispute his evidence.

Q. But is that correct? You have been connected with a company controlled bakery. Is it correct?

Mr. PARRY: No, not now. Mr. Bredin is an independent.

The WITNESS: I am in my sixth year as an independent.

Mr. FACTOR: He has had experience with both.

The WITNESS: I was an independent before, and then in the group, and now I am independent again. Of course, taking space in the paper by the page—no small concern can afford to do that. That is only nonsense.

*By Mr. Parry:*

Q. That is not the result of public demand?—A. No. That is adding to the cost.

*By Mr. Factor:*

Q. From your mature experience, what has actually added to the cost of the distribution of bread? Is it, as was suggested to us, the intensified selling campaign?—A. Well, that is one of the things, but it is not the whole cause. For instance, prior to the chain stores coming into existence, a waggon would go on to a street and serve twenty customers on that street. Since the chain stores came in, he will sell ten or twelve, maybe a dozen, and the cost is just as great of sending them on to that street, for selling to ten or twelve as for selling to twenty. I might just at this moment interlude a further measure—it was mentioned here the other day—that is, a measure of selling. We are going into the streets—our system of distribution is ridiculous. I am prepared to admit that right now, that when you have five or six or seven waggons going on to one street with twenty or forty houses on it, it can't be explained.

*By the Chairman:*

Q. Each one with a basketful of cakes and pies, and a loaf of bread?—A. Yes. It can't be explained logically. I don't attempt to defend it. It is indefensible. Sometime they will have to be brought together in some way. As Mr. Dempster pointed out to-day, it can't be done away with off-hand, because each customer decides on her certain kind of bread, and certain shape of loaf and that kind of thing, and each of us gives that. Of course, it is best for people to think that no one else can give them as good bread as we can.

*By Mr. Boulanger:*

Q. Could that be cured by the industry itself, by co-operation or something like that?—A. The closest I saw it being cured was during the war. I was called to Ottawa, and I was told that if the war lasted another six months, on account of the necessity of man power, we would have to do away with that system of distribution, that we would have to get together: They had me coming to Ottawa for a long time. I spent some days discussing that question with the Food Board, and it would have come about at that time. But if we are left to ourselves it will be rather difficult to bring it about.

*By Mr. Heaps:*

Q. May I point out you showed in your figures earlier that your labour costs had come down proportionately by a greater ratio than your production had decreased during the past few years, in which case it would go to show that your labour cost is really not a factor in maintaining the high cost of distribution?—A. We would not claim that. I would not claim that.

Q. What is it then?—A. At one time—again going back to the waggons in the city of Toronto—the business that I was the head of distributed 4,000 loaves per waggon. To-day a waggon is doing well that distributes 2,000, just half the number.

Q. Have you got the same number of waggons on the streets to-day as you had in 1929?—A. Far more.



Q. There are more?—A. Yes, far more in the streets to-day.

Q. Each waggon is doing less business to-day, considerably less than it was doing say four or five years ago?—A. Yes. If a waggon sold 4,000 loaves last year, and the same waggon was selling 2,000, it would take two waggons to do that 4,000. That is about the principle it would work out on.

*By Mr. Parry:*

Q. The ratio is down fully 50 per cent per wagon?—A. Yes, fully.

*By Mr. Young:*

Q. Are more companies sending out wagons, or is each company putting on more wagons to handle this business?—A. It practically applies to all the companies. Some person, I forget which one, giving evidence to-day—I think maybe it was Mr. Dempster again—pointed out that the delivery was wanted in the morning by so many. No, it was somebody yesterday afternoon. It was pointed out that so many ladies want delivery made in the morning, and each competitor going in says, "I will give you delivery in the morning, and he is selling a customer that has been satisfied with evening delivery, maybe.

Q. And they are working their wagons only half days?—A. Yes.

Q. And their men only half days?—A. A little more than half. Usually they start at seven in the morning and get through about two o'clock.

Q. Is there anything you can put them at to fill out the day? Can you put these men to work at anything else to fill out the day?—A. No, they are through. They go home. They come in and settle up, and then go home.

Q. How many hours a day do they work?—A. About seven or eight hours a day, six or seven.

*By Mr. Heaps:*

Q. How many days a week?—A. Six days.

Q. What time do they come in in the morning?—A. About seven o'clock.

Q. Is that the time they start the delivery?—A. They have to fill up their wagons with the bread. Their horses are looked after for them, but they have to wait until their horses are ready for them.

Q. What time do they punch in in the morning?—A. I think very few bakers have a clock. There are different conditions obtaining.

*By the Chairman:*

Q. Different routes have different times?—A. Yes, you know if there is a nice maid in one house a man may stop a little longer.

Q. I notice in this report of 1931 where it says that the total capacity of 72 of the plants of the mill-controlled bakeries is 892,000,000 pounds a year or nearly treble their output which, I think, is 317,000,000. Can you confirm that fact?—A. Yes, that is one of the great troubles to-day with nearly every flour mill and every bakery the whole country over.

Q. Now, the fact that these large organizations are operating to only approximately on the average about 30 per cent of their capacity must add materially to the costs of distribution?—A. Very.

Q. Is not that, perhaps, one of the chief problems with which we are confronted?—A. Well, I would not say it was one of the chief ones, but it is a real problem.

Q. But there would be a tremendous pressure due to this 70 per cent over-capacity to go out to get business and to cut each other's throats, to use a common expression?—A. Yes, that is one of the items. The strongest item is there; you have no plant to put in. There it is; go and do the business.

*By Mr. Factor:*

Q. There is no cut-throat competition among the bakers in the popular sense of the term?—A. I do not think there is any other business suffering from as much cut-throat competition as the baking trade.

Q. Not among the bakers themselves?—A. Yes, among the bakers themselves.

Q. The different mill-owned bakeries, or the mill-owned and independent bakeries?—A. Both.

*By Mr. Young:*

Q. Is not the small baker who is not over-expanded in a better position to meet this competition than the big one who is?—A. Yes, I would say. The man who has his capacity filled right up is in good shape to go along. His overhead is so low. He should be in good shape to compete.

*By the Chairman:*

Q. But do not these large bakeries with only 30 per cent on the average of their capacity operating invade the territory of the economical unit and destroy his rather happy position?—A. Yes, that is going on too.

Mr. YOUNG: How do you mean invade the territory?

The CHAIRMAN: If he has a route. Suppose there is a baker operating a route that will take care of a dozen wagons or half-a-dozen wagons and he is fairly well up to his capacity, here are bakers capable of producing 70 per cent more than they are handling and they are pushing into that territory. That is the question I am putting. They would push their efforts into that territory.

The WITNESS: There is and has been the temptation all the time to try to fill up that empty space.

*By Mr. Young:*

Q. There are no exclusive routes anywhere?—A. No.

Q. There always was competition in all routes?—A. No, that day is gone. As it is to-day some bakers try to play the game. More than a couple of years ago one man started by going over the country routes every other day. The other gentleman started in on the other three days of the week and he cut that man's output in two.

*By Mr. Parry:*

Q. In connection with the overhead figures you are going to give us now, are you satisfied that proper allowance has been made in the preponderance of capital and the water in the stock of these big companies to show a proper picture?—A. I do not think that has been taken into account to the finish.

Q. We will be getting these figures. I wondered if that is part of the picture?—A. Bonds are always a charge to the business but the stock is not. I do not know of any company that charges up stock. Overhead at number 1 plant is .44, at number 2 plant 1.42, at number 3 plant .91, and at number 4 plant 1.18.

Mr. HEAPS: What is charged in that overhead in view of the spread you have mentioned?

The WITNESS: There are some little items of principal, the office and the salaried officials.

Mr. YOUNG: What is the matter with number 2? He has so much more than anybody else.

The CHAIRMAN: He has a larger bond issue.

The WITNESS: I think after he sees these figures put together he will get busy.

Mr. YOUNG: He will try to find out.

The WITNESS: Wrapping: number 1 ·23; number 2 ·23; number 3 ·29; number 4 ·30. That is very close. I would say that wrapping is increasing all the time. I fought against wrapping. I did not believe in it. It does not improve the quality of the bread. It is better without it. In spite of that it is increasing right along.

*By Mr. Parry:*

Q. It looks as if it has gone up in some cases almost 1,000 per cent. In 1929 it was only 0·14?—A. In our own case it has gone up 50 per cent in a year.

Mr. KENNEDY (*Peace River*): The wrapping?

The WITNESS: Yes.

Mr. HEAPS: The paper people put up a pretty good campaign, did they not?

The WITNESS: Yes, the paper manufacturers had a lot to do with it.

*By Mr. Kennedy (Peace River):*

Q. What is the advantage of wrapping?—A. Oh, the hands do not touch the loaf. That is one thing.

Q. You said the bread was better without it?—A. Yes. I still say so.

Q. What is the reason for that?—A. All the flavour of the bread is in the crust. If the loaf is wrapped, and it very often is before the loaf is thoroughly cooled, the acidity is driven back into the crust of the loaf, softening it, and affecting the whole eating quality of the loaf.

*By Mr. Factor:*

Q. Is the wrapping of bread a municipal regulation?—A. No, sir, Dr. Hastings brought it in one time, and I was successful in convincing him of the error of his ways, and he dropped it.

Q. Is not there some by-law—municipal by-law?—A. No, sir; not in Toronto.

The CHAIRMAN: It is for advertising purposes, I suppose?

The WITNESS: Yes, advertising. I would not speak for the whole of Canada, but there is no by-law in Toronto.

Mr. FACTOR: It was something new they were giving the people?

The WITNESS: Yes.

Mr. EDWARDS: Is there any provincial statute covering the matter?

The WITNESS: No, sir.

Mr. KENNEDY (*Winnipeg*): The paper manufacturer sold the idea to the public?

The WITNESS: Yes, you are offering the wrapped loaf against the other man's unwrapped loaf and trying to get business.

Mr. FACTOR: I was under the impression that there was some municipal by-law or regulation regarding the wrapping of bread and the wearing of white gloves?

The WITNESS: They were going to put through an ordinance for wrapping bread. The bakers opposed it from the standpoint of the deterioration of the quality of the bread. After taking it up with Dr. Hastings he recommended white canvas gloves. I went down and saw him and asked him to leave it over for a day or two and I would buy those gloves and put them to the test. I



bought the gloves and after they were used I took a number of them down to Dr. Hastings—dirtier than any man's hands. For that reason he dropped the question of white gloves and said bread had to be handled by tongs and forks.

The CHAIRMAN: Silver-plated, I suppose.

The WITNESS: Yes. Total cost: Number 1, 8.12; revenue, 8.22. Number 2, total cost, 7.85; revenue, 7.33. Number 3, total cost, 7.53; revenue, 7.68. Number 4, total cost, 7.41; revenue, 7.29. The first one has 0.10 of a profit, the second one has 0.52 of a loss, the third one has 0.15 of a profit, and the fourth one has 0.12 of a loss. That completes the mill-control records.

Comparative data on baking industry. Wages per barrel in 1929. There is only one independent that gives it for five years, and it gives really no comparison at all. The figure for 1929 is 9.20; 1930, 8.65; 1931, 8.66; 1932, 8.12; 1933, 7.86—showing a constant drop which means lowering of wages.

Number of barrels of flour used: 1929, 23,865; 1930, 22,983; 1931, 19,191; 1932, 17,180; 1933, 15,751. There was a shrinkage there right along. The third one gives figures for two years, 1932, 54,261; 1933, 60,808; number 4 gives one year, 1933, 35,516.

Number of employees: 1929, 166; 1930, 148; 1931, 138; 1932, 122; 1933, 122. Number 2 gives for 1933, 55. Number 3 gives 304 for 1932 and 320 for 1933. Number 4 gives 178 for 1933. That is the only year they give us.

*By the Chairman:*

Q. It seems to me that the last two, which are comparatively small bakeries, seem to have a much higher labour employment than the first two, is that right, in comparison to the barrels of flour used?—A. I would say that is so for the last one, in any case.

Q. Is that because of less machinery?—A. No, I do not think so. I do not think that is it—putting on higher pressure selling I imagine is some of it—putting two men on a wagon instead of one.

Average revenue: number 1, 1933, 9.34; number 2, 7.029; number 3, 7.40; number 4, 7.599. You will see there, Mr. Heaps, the difference between the different bakeries. If one baker is selling the great majority of his bread retail they will have a much higher revenue per barrel than the man selling at wholesale. I think that is what is accounted for to a large extent. Mr. Dempster, I think, made a little error in connection with the information about the percentage of retail bread. We keep track of that.

Q. He just gave us an offhand opinion?—A. He said he wasn't sure of it. I paid attention to him.

Q. Have you any definite information on that?—A. I have of some businesses, but not of the whole field, but some businesses would represent very much what is done in the whole field. It runs from 70 to 80 per cent in retail.

Q. Wagon delivery?—A. Wagon delivery, and the balance wholesale. I think that is a pretty general condition. I think it would work out over the whole country.

*By Mr. Heaps:*

Q. Has it been your experience that the customers insist upon delivery to their homes?—A. Yes, they want delivery to their homes.

Q. They will not out to the stores to buy?—A. No; and, as Mr. Dempster pointed out, if good times come—and they are on their way I believe—the people that are buying from the chain to-day will cease buying from the chain to some extent—not altogether; but we look to many of those people coming back to us and having the wagons go to the door.

Q. You do not think any legislation of that kind will be necessary?—A. We might try to do much by legislation.

*By Mr. Parry:*

Q. Are these independents all making money?—A. No. Not on this sheet.

Q. You gave the figure of 9.34 against 9.20. I took down your figures; I may be mistaken.

The CHAIRMAN: Complete your statement.

The WITNESS: I beg your pardon, I gave you the revenue. I gave you the revenue and not the cost. The cost for that 9.34 is 10.30; number 2, cost 7.45 and revenue 7.029; number 3, cost 7.33 and revenue 7.40; number 4, cost 7.89 and revenue 7.599. You can see that the independents are not in very good shape.

Now, the cost of flour is 1.79 for number 1; 2.21 for number 2; 1.81 for number 3; 1.74 for number 4. They are closer. Only one man is out of line. Number 2 is 2.21—a little higher than the rest.

Mr. YOUNG: What happened to him?

The WITNESS: He has hit the market wrong I would say. I hope not too bad.

Other ingredients: 1.45 for number 1; 1.07 for number 2; 1.06 for number 3, and 1.12 for number 4. There is a big variation there.

Baking costs: 1.77 for number 1; 1.41 for number 2; .85 for number 3; .88 for number 4.

Selling costs: 3.72 for number 1; 2.19 for number 2; 2.73 for number 3; 2.20 for number 4.

Overhead: 1.26 for number 1; .56 for number 2; .61 for number 3; 1.60 for number 4.

Wrapping: .27 for number 1; .27 for number 3; .33 for number 4. He does not give number 2.

Total cost: 10.30 for number 1; 7.45 for number 2; 7.33 for number 3; 7.89 for number 4.

The CHAIRMAN: There is a big difference there.

The WITNESS: Yes, quite.

Average revenue: 9.34 for number 1; 7.02 for number 2; 7.40 for number 3, and 7.59 for number 4.

Profit and Loss: .96 for number 1 that represents a loss; .42 for number 2. That represents a loss .07 for number 3. That represents a profit .29 for number 4. That represents a loss. Things are not looking very good. The question of grades of flour came up yesterday. I think Mr. Young asked the question. For the present year the spread between first and second patents was 60 cents.

*By Mr. Young:*

Q. Sixty cents a bushel?—A. Sixty cents a bushel. For some reason third patent flour was not selling so well and it was at 50 cents, the standard spread. Some of them when they are buying that might make it less—15 cents a bushel below second patent. That would make a spread between first patent and third patent of 65 cents.

Q. What is that third grade flour like?—A. That is a good flour. That is the principal export flour.

Q. The high patent flours are used altogether at home, are they?—A. They export very little of them.

*By the Chairman:*

Q. The bakers use what is called a strong baker?—A. That is second patent. That is the name of it.

Q. That is commonly used by the bakers?—A. Commonly used; but there are some bakers that want to improve their product, of course, and they put in high patent flour and they say they have a better loaf than their rival when trying to get business.

*By Mr. Kennedy (Peace River):*

Q. What sort of flour do they make brown bread of?—A. Whole wheat flour.

Q. Is that the same as the number 3?—A. That does not come under that classification at all. That is white.

*By Mr. Heaps:*

Q. From the standpoint of nourishment, is not the bread selling at 3 cents as good as the bread selling at 7 cents?—A. Yes, it is as good; it may not look quite as good—

*By Mr. Kennedy (Peace River):*

Q. How does the whole wheat flour compare in price?—A. It is lower, about the same price as number 3.

*By Mr. Factor:*

Q. Can you say anything about the bread-eating habits of the people; are they eating more or less now?—A. Less. That has been established by research.

*By Mr. Kennedy (Winnipeg):*

Q. What has taken its place; you say there is a reduced consumption, what is taking its place?—A. One of the items is the very heavily advertised breakfast foods that we have, which people are taking to; then there are some places where nothing is required to take its place—with ladies wanting their boyish figures, you know.

*By Mr. Heaps:*

Q. And there is not so much wasted now as there was a few years ago?—A. I think there is something in that all right. Then, too, people are not so particular in these days about getting a fresh loaf as they used to be. Shipping was talked about by several men; my position on that is and always has been that bread is not meant to be shipped, it is not meant to be handled; the less handling a loaf gets before it reaches your table, the nicer and better it will be for the people using it.

The question of cost was raised: a gentleman pencilled this out and gave it to me to show what his taxes—Dominion, Provincial and Municipal—but not including gasoline or licences—was, and it amounted to \$28,000 in 1923, and under the same headings he paid \$76,000 last year.

*By Mr. Heaps:*

Q. Is that why you called Mr. Stevens a life-saver just now?

*By Mr. Young:*

Q. Does that include the municipal tax, the profits tax, and the sales tax?—A. Yes.



Q. Does he enumerate the taxes there?—A. He just gives them under the three heads, Dominion, Provincial and Municipal.

Q. How much is each?—A. \$28,000 in 1931, and \$76,000 in 1933; these were the three concerned.

*By Mr. Factor:*

Q. Have you got that broken down?—A. No, I may say in my own case in the City of Toronto, that the city tax alone was \$7,600.

*By Mr. Kennedy (Winnipeg):*

Q. That is at the present time?—A. Yes.

Q. As compared with what?—A. Well, I just moved in there five years ago.

Q. Well, so far.

Q. That has not varied much in the last four or five years.

*By Mr. Heaps:*

Q. Does that include the business tax?—A. No, only the city tax; \$7,600 for the city tax alone, without any other.

*By Mr. Young:*

Q. If the city tax had remained constant, the provincial and federal taxes must have increased?—A. I am speaking of Toronto alone.

*By Mr. Parry:*

Q. The figures you mentioned show that that man's taxes increased from \$28,000 to \$76,000?—A. Yes.

Q. No increase in municipal taxes?—A. Not in Toronto. This man is not in Toronto at all. Incidentally it shows an increase of 167 per cent.

*By Mr. Young:*

Q. How much do you pay for newspaper advertising?—A. Outside of the big chains and a couple of independents—a couple of large independents there is very little spent by the general rank and file of bakeries.

Q. It would appear from the evidence that we have heard that a lot of your trouble is due to newspaper advertising?—A. Very often. If you show a full page ad. to a man, he sees red.

Q. You do not think it is a very good thing in the baking business?—A. We do not. As has been stated here already, it will not increase the consumption of bread; it has not done it. It has not called for more bread to be eaten, it is just trying to transfer it from one to the other.

*By Mr. Kennedy (Winnipeg):*

Q. You do not suggest that advertising should be stopped, or controlled, do you?—A. I see there are newspaper men here, I would not suggest that in their presence.

Now, I think I come to my conclusion, unless there are some questions to be asked which I will endeavour to answer; but we have found a means, or what we think is a means, of benefitting the trade. They got together and spent a lot of time in the last two months particularly in getting together a code of ethics that we think would be most beneficial, particularly if we get your assistance. We do not say it is the law of the Medes and Persians, but it is our best thought—whether or not it proves best in the long run.

Before starting to read that, Mr. Parry asked me if I represented the retail bakers, particularly in the city of Toronto. I have here the gist of their criticisms and I will read them if you wish.

The CHAIRMAN: Just read so much of it as you think will give us the gist of its contents.

The WITNESS: We consider this a bread Code, as no mention or protection is given to the sale of cakes and pies, and no mention made of them.

Sale of bread on consignment: we cannot agree to the latter part of this paragraph, which prohibits the sale of bakery products at a reduced price after they are on their way to being stale in a retail store.

The wording of this paragraph (III) should be changed to read,—the combination selling of bread with other articles, or the combination sale of bakery products, for less than the proper price of such articles. As an illustration, see Hunt's advertisement,—the gift of ice cream with a package of cake, without any weight indicated.

On the principle of competition would be this one: There has been no suggestion and no desire on the part of any one in Canada, to do away with the door-to-door delivery of bread. This is a service that is required by the people and no one is suggesting for a moment that it should be discontinued. However, as there is no public demand for the house-to-house delivery of cakes, pies, and other bakery products, these items should be limited to the sale over the counter by the retail bakery store.

The CHAIRMAN: I am glad you mentioned that. I was going to ask you if there was the elimination from the door-to-door delivery of the salesmanship of cakes, pies, biscuits, and so forth, would it be of benefit to the bread-making industry, and would it effect a diminution in the cost of delivering bread.

The WITNESS: It would increase the cost beyond anything you can think of at the present time.

The CHAIRMAN: Increase it, what do you mean?

The WITNESS: Such a large percentage of cake is being sold by the wagons that if you pull out that percentage and left only bread—.

The CHAIRMAN: Is it not because of these things, the introduction of the sale of cakes by the driver, that has caused the cost of delivery to go up; all the statistics indicate that.

The WITNESS: That is not the case there, though.

*By Mr. Kennedy (Peace River):*

Q. You sell them to sell bread, of course?—A. That has been a help, that has been an aid which has helped us to get business where otherwise we would not have done it.

*By Mr. Heaps:*

Q. Did you keep the cost of the cake end of the business separate?—A. At first we did not, but each firm now keeps the right charges on cake, keeping them where they belong. We now have a pretty good idea as to what each end of the business is costing us, and that perhaps is a better system.

*By the Chairman:*

Q. You now have them separate. You now support the delivery by the wagon salesmen of cakes and pies to the door?—A. Yes, sir, without question.

The CHAIRMAN: It strikes me that that is a most uneconomical thing.

*By Mr. Edwards:*

Q. Do you have any particular competition with home-made baking; women making bread and selling it to people around, to their clientele?—A. In the large homes of our best families, that is where a maid is kept, perhaps all the baking is done there.

Q. I don't mean that, I mean people baking and offering it for sale; who have a group of customers and who offer for sale?—A. Oh yes, people who start baking in the city in an oven.

Q. I mean, baking it for gain, making a business of it?—A. That is what I refer to, sending the husband out with a basket on his arm and peddling it around. They gradually get more business and then they buy a second-hand stove for a payment of \$20 to \$25 down.

Q. Yes, buys a new stove in other words?—A. Yes.

Mr. YOUNG: Do you object to that.

Mr. EDWARDS: Not at all, I am in the stove business.

The WITNESS: In one city, Stratford, back in 1928 they had 5 bakeries, and to-day there are 27 which have come in along these lines; and that makes it very bad for the 5 who originally did very nicely.

*By Mr. Young:*

Q. As times improve these men will find other work?—A. They will go back to their jobs, that is what I believe, in any case.

*By Mr. Parry:*

Q. Mr. Bredin, I wish you would file that document from that association so that if it is asked for, we will have it?—A. I will be pleased to give it to you.

(Toronto Retail Cake Bakers' criticism on Canadian Bakers' Association Code File is Exhibit 119.)

I now come to "conclusions." This document is addressed to:

Chairman and Honourable Members of the Select Committee on Price Spreads and Mass Buying:—

The appointment of your committee empowered to deal with the question of baking has impelled the bakers of Canada to submit representations on behalf of the industry in order that a much needed stabilization might be evolved.

In submitting to you for your consideration recommendations for Federal legislation, with adequate machinery to ensure the enforcement thereof, the bakers have recognized the fact that the manufacture and sale of bread is a semi-public utility which should be guarded and protected from factors which are, primarily of a short-sighted commercialism, and have only resulted in a demoralized industry.

For several years the conditions in the industry have become more and more chaotic, through the exercise of many and varied forms of dominance by interests not only inside but outside its jurisdiction, forcing a disastrous competition not only among bakers, who may be willing to compete without regard to cost, but also with those who, while realizing the folly of so doing, are forced into the vortex, resulting in many cases in the virtual slavery of the employees in the industry, long hours and low wages, together with unnecessary loss and hardship to all others in any way connected with the industry.

These conditions have been contributed to, or are the direct result of the development of unethical trade practices and cut-throat competition among which may be briefly included:

- (a) Sale of bread below cost—the experience of the last few years has proven that while the consumer may receive a temporary benefit from the sale of bread below cost the evil effects upon the manufacturer and wage earner are too far reaching to justify such a practice. Selling below cost has no ultimate advantage to the public.



- (b) Special discounts, allowances, rebates, free baked goods, premiums, tokens, advertising allowances or any other forms of rebate or gratuity.
- (c) The sale of bread on consignment, and the taking back of bread already sold in exchange for fresh, or throwing bakery products not sold on day of manufacture upon market at greatly reduced prices.
- (d) The shipping or trucking bread into any area outside the shippers immediate community at a lower price than the prevailing wholesale or retail price in the market in which he ships.
- (e) The giving away free of bakery products to present customers or in order to obtain new business. The combination sale of bread with other articles for less than the proper retail price of bread and of such other articles.
- (f) The use of bread or bakery product "loss leaders"—this is one of the most objectionable practices to which the industry is subjected.
- (g) Sale over the counter by chain and other stores at less than retail wagon prices—this destroys the service of the route men.

*By Mr. Young:*

Q. In regard to paragraph C: the sale of bread on consignment, what is the objection?—A. Say for instance you put 100 loaves in a store and you come back the next day and find they have sold only 50 loaves and you take back 50 loaves; they are worth much less than when you place them there, they are a second-hand article—that would eventually increase the cost on your bread.

Q. If you did not take that back then the merchant would have to take a loss, would he?—A. That applies to any line of goods, I think.

The CHAIRMAN: He would have to work them off.

*By Mr. Edwards:*

Q. The man who buys 50 loaves of bread on consignment and he buys 50 loaves of bread for which he pays; which bread does he sell first?—A. It would not be hard to answer that question.

Q. Following that clause C, there is a question I asked this morning about shipping or the trucking of bread into other areas; is that a common practice, going out to the country with stale bread?—A. Not stale, fresh bread.

Q. Well, anyway, going out into these areas where the smaller bakeries are now; the villages and towns, selling this bread at a cheaper price in competition with the local baker?—A. There has been a lot of that done.

*By Mr. Heaps:*

Q. Is there much bread sold on consignment?—A. Very little, that has never been a big item.

*By Mr. Young:*

Q. I cannot see anything wrong about selling on consignment; if you are selling on consignment and a man buys 100 loaves and you take back 50, I think you will very soon stop sending him that much?—A. What would you advise him to do with the 50 he takes back?

Q. I would advise him to be more careful by not putting in 100 loaves the next day?—A. Correct.

Q. Taking back bread already sold in exchange for fresh, that is the same thing. There is in bakeries products not sold on the day of manufacture, but they can be sold at a greatly reduced price; what is the objection to that?

You are a baker, at the close of the day you have a thousand loaves on your hands; what is the objection to selling that on the next day at what you can get for it?—A. Well, my plan as a manufacturer would be not to have that much left on hand; then, of course, you would have to sell it cheaper the next day.

*By Mr. Edwards:*

Q. I think, Mr. Chairman, the objection to that is largely that this man goes outside of the area to which he ordinarily supplies his bread; he goes out to the small towns, to where the small baker is handling his capacity all right, and he destroys that baker's market?—A. Yes.

Q. Now, as I see consigned goods, no matter whether it is bread or what kind of consigned merchandise it is, I do not think it is sound merchandizing. I do not think there is any doubt about that?—A. It is very unsound in any case.

Q. When a man buys his stock, he naturally sells that first?—A. Yes.

Q. When he gets consigned goods, he just does not sell them until the others are gone?—A. To use another illustration: 3 or 4 bakers may go into the same store, one baker will not change any bread and the others will; whose bread will be sold first?

Q. Sure?

*By Mr. Young:*

Q. I want to ask you what would you do with the stale bread; would you throw it into the furnace, or feed it to the hogs?

Mr. EDWARDS: Sell it for fox feed.

The WITNESS: It would regulate itself. The man sold on consignment would not take in 100 loaves. Where the manufacturer has that bread on his hands, it is not fresh bread and he can't get the same price for it, but why do you object to him selling it cheaper?

The CHAIRMAN: What do they do with it, ask him that?

Mr. EDWARDS: They sell it for a lower price.

Mr. FACTOR: If he is a good manufacturer he hasn't any bread left over.

The WITNESS: It goes out of consumption when it is beyond being fit for human consumption. Bread that is not good for any one; it goes into fox feed, pig feed, sausages, and all kinds of things of that sort.

*By Mr. Young:*

Q. You would not have this man who has stale bread on his hands at night and cannot sell it for the same price next day, you would not insist on his keeping it until it was not fit for human consumption, and then making sausages out of it, would you? Is it not a proper thing for him to try to sell that bread in order to get it off his hands? Is it not quite a proper thing for him to sell it cheaper?—A. We find we cannot regulate our trade if that is done.

Q. Is it not an advantage to the housewife who cannot buy a loaf of fresh bread to get a loaf cheaper if she buys it stale?—A. Right to-day anybody who cannot buy it can get it through the welfare bureau.

Q. Not everyone wants to go to the welfare bureau for bread.

Mr. FACTOR: Housewives would not want to use stale bread.

*By Mr. Parry:*

Q. That practice had a demoralizing effect on the whole industry?—A. Yes, that is my idea—that is our idea; not my idea, but our idea, the trade's idea.

*By Mr. Kennedy (Peace River):*

Q. Is the problem of left-overs a big one in the industry?—A. No. With careful management it can be cut down to very small proportions.

Q. That was the evidence given—A. And it usually is.

*By the Chairman:*

Q. Now, Mr. Bredin, proceed with your second section—distributions?

Mr. YOUNG: We have not got through with this other yet.

The CHAIRMAN: All right, let us finish it.

*By Mr. Young:*

Q. With regard to the matter of trucking bread outside of your own community, I have in mind a community where bread is sold at two loaves for a quarter, and somebody trucks bread in from a distance and brings that down to a reasonable price. What is the matter with that?—A. Our biggest fault-finding with that is from the small man who is in that particular territory and is driven out of business. That is where our great complaint comes from.

Q. Suppose the small man in that territory is inefficient and can't sell bread at a reasonable price?—A. I don't think there would be a large number of them. I think they would be a very small number.

Q. Is it not then a good regulator, that whenever he goes beyond reason in his price, the truck will come in the nearby city and undersell him? Won't that force him to efficiency?—A. Well, I don't think it is done for that particular reason.

Mr. EDWARDS: No.

Mr. YOUNG: No, it is not done for that particular purpose, but that is the effect. I know we don't often do things from altruistic motives, but sometimes it works out all right.

The WITNESS: You have to consider whether it would be better to benefit one locality or benefit the whole industry from coast to coast.

Mr. YOUNG: It would be in many localities.

*By Mr. Parry:*

Q. And you are speaking of this as dumping your surplus product into a community by truck which is demoralizing?—A. Yes.

Mr. YOUNG: He says at a lower price than the market to which he ships; it might not necessarily be lower at the place he ships.

*By the Chairman:*

Q. Perhaps you can get at it better in this way: is it the policy on the part of some of the large bakeries to send truckloads of bread out from a large centre into the smaller centres within reach?—A. Where is it done, Mr. Chairman, it is done daily. There is no taking an odd item and shipping it out. It is done daily, every day in the week.

Q. Competing with the local baker?—A. Yes, and driving him out of business.

*By Mr. Young:*

Q. Is that bread dumped; I mean is it sold cheaper there than the sales in his own town?—A. In many instances.

Mr. EDWARDS: That is the point.



*By Mr. Young:*

Q. Why would he do that, if he can get more at home? Why would he ship it out?—A. Because he can't sell enough of it at the same price at home. It is his surplus market he is going out to.

Q. There is not very much surplus.

*By the Chairman:*

Q. He has got 70 per cent over-capacity?—A. The surplus market extends now, with trucks and good roads, to 70 and 80 miles.

*By Mr. Young:*

Q. It is not just his left-overs that he ships that way?—A. No.

Q. He runs his factory extra time?—A. It is made for the purpose; it is manufactured for the purpose of sending out there. I might say if there is one clause in this whole brief that appeals to the average small baker throughout the country, it is that clause.

Q. I don't doubt that. How does it appeal to the consumer in these small communities?

Mr. EDWARDS: Who is not a consumer? That is the point.

Mr. YOUNG: Yes, everybody is a consumer. Therefore we should consider the consumers' interests first, because we are all consumers.

Mr. EDWARDS: You are not going to eliminate a lot of people just to take dumping off these big bakers, I hope?

The CHAIRMAN: Anyway, the witness has answered that to the best of his ability, I imagine. Have you any other questions before we go on to the next section?

Mr. YOUNG: No.

*By the Chairman:*

Q. Then, will you proceed with the next section, Mr. Bredin?—A. Yes.

#### DISTRIBUTION

As a result of years of experience, it has proven that the house to house or retail distribution of bread is the most satisfactory method of distribution to the Canadian public.

- (a) The consumer in Canada demands that his bread be delivered to his door daily in all weather conditions and in all seasons of the year and in the best possible condition. This demand for service is a very real one in Canada. In spite of the intensive chain, department store, and other competition, the predominant portion of bread is still delivered to the door of the consumer. One cannot imagine a higher test of the surviving demands of the consumer than the test of the last few years.
- (b) Any elimination of house to house service would throw out of employment a large number of men. The baking industry of Canada is actually founded on the services of the route men who are in constant contact with the consumer.
- (c) Any elimination of horses and delivery wagons means a reduction in the consumption of farm products, such as horses, oats, hay, straw, hides (for harness), to say nothing of material and labour which goes into the manufacture and maintenance of wagons.

The above reasons clearly demonstrate that the house-to-house delivery of bread meets the great consumers' demand and is the very foundation of the industry.

#### SUGGESTED RECOMMENDATIONS FOR STABILIZATION

We, therefore, ask on behalf of the baking industry of Canada that your committee will recommend to the House of Commons the creation of a federal licensing body which has the following powers:—

- (a) To require all bakers, jobbers and independent distributors of bread to operate under a licence.
- (b) Issue and continuance of such licence being conditional upon compliance with regulations from time to time promulgated by such licensing body.
- (c) The setting up of an advisory body representative of the bakers to assist the licensing body in carrying out its functions, such advisory body consisting of representatives of provincial associations of the baking industry.
- (d) The regulation of the price of bread in co-operation with the board or committee outlined in clause (c), such price to have as its basis the cost of raw materials, all production, delivery and other costs, including a fair scale of wages with a minimum wage and maximum hours as adopted, and to be enforced by the properly constituted authorities.
- (e) To compel a high standard of cleanliness and sanitation; adherence to provincial standards of weight.
- (f) The definition and prevention of unfair trade practices.
- (g) The elimination of the spread between the resale price at chain and other stores and retail wagon price.
- (h) The proper consideration of the consumers's interest in the performance of all its functions.

Any problem of chain or mill-controlled bakeries, chain or departmental stores is automatically taken care of in the above suggestions.

It is felt, and strongly urged, that these requests are of vital importance to the industry, and that federal intervention, to the extent indicated, is absolutely necessary, and that the steps indicated must result in the re-creation of an industry where the producer receives a reasonable return, the employees receive a reasonable and fair living wage, and to the public the purchasing of a staple article of food at fair prices.

All of which is respectfully submitted.

*By Mr. Young:*

Q. You want price control. Do you want the price fixed and regulated on a cost plus basis?—A. Personally I am not in favour of that; but I think the man who goes out and sells below cost—there should be some way of regulating that. It is only by going and finding out what the cost is that it can be done.

*By Mr. Edwards:*

Q. You believe that merchandise is worth a fair price?—A. Yes.

*By Mr. Parry:*

Q. You said in the beginning that is somewhat a public utility; I suppose that justifies your argument for the fixing of the price?—A. Yes, quite so.

Q. You made no mention of allied trades which I understand form a very important part of your industry. I notice there is no recommendation in here

dealing with them. Do you consider any necessary?—A. No, I don't consider them necessary. They are a very fine institution. They have a good organization.

Q. They are organized?—A. Yes.

The CHAIRMAN: Any other questions, gentlemen? Thank you, Mr. Bredin.

The witness retired.

Mr. FACTOR: Does that complete one phase of the baking inquiry?

The CHAIRMAN: That completes one phase of it. The other is not completed yet. There is certain information regarding capitalization and other matters that are in course of preparation now.

Mr. FACTOR: Do you intend to give the large bakers an opportunity of being heard?

The CHAIRMAN: Absolutely. To-morrow we will meet at eleven o'clock and continue the tobacco inquiry?

The committee adjourned at 5.30 p.m., to meet on Thursday, May 3, at 11 a.m.













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